PROVINCE OF SASKATCHEWAN

REPORT OF THE PROVINCIAL AUDITOR

TO THE LEGISLATIVE ASSEMBLY

FOR THE

YEAR ENDED MARCH 31

1985

Provincial Auditor Saskatchewan

South Albert Plaza
4211 Albert Street
Regina, Canada
S4P 3V7

(306) 787-6360

January 31, 1986

To the Members of the Legislative Assembly

I have the honour to submit to the Legislative Assembly, this report, upon the examination of the accounts of the Government of the Province of Saskatchewan for the fiscal year ending March 31, 1985, to be laid before the Assembly in accordance with the provisions of Section 14 of The Provincial Auditor Act.

Respectfully Submitted,

W. G. Lutz, F.C.A.,
Provincial Auditor

REPORT OF THE PROVINCIAL AUDITOR
1985

Table of Contents

Section	Topic	Page
1.	**Introduction**	
1.0	Current Issues of Importance	1
1.1	General	2
1.2	Cost to Discharge the Legislative Assembly's Audit Requirements	3
2.	**Results of Examinations**	
2.0	Introduction	7
2.1	Agricultural Credit Corporation of Saskatchewan	9
2.2	Crown Investments Corporation of Saskatchewan	9
2.3	Department of Advanced Education and Manpower	11
2.4	Department of Agriculture	16
2.5	Department of Co-operation and Co-operative Development	22
2.6	Department of Economic Development and Trade	23
2.7	Department of Finance	23
2.8	Department of Health	32
2.9	Indian and Native Affairs Secretariat	36
2.10	Department of Justice	36
2.11	Department of Revenue and Financial Services	39
2.12	Department of Social Services	45
2.13	Department of Supply and Services	48
2.14	Department of Tourism and Small Business	50
2.15	Department of Urban Affairs	53
2.16	Milk Control Board	54
2.17	Municipal Employees Superannuation Commission	55
2.18	Saskatchewan Alcoholism and Drug Abuse Commission	58
2.19	Saskatchewan Arts Board	59
2.20	Saskatchewan Beef Stabilization Board	60

REPORT OF THE PROVINCIAL AUDITOR
1985

Table of Contents

Section	Topic	Page
2.21	Saskatchewan Centre of the Arts	61
2.22	Saskatchewan Crop Insurance Corporation	61
2.23	Saskatchewan Forest Products Corporation	62
2.24	Saskatchewan Housing Corporation	63
2.25	Saskatchewan Pork Producers Marketing Board	66
2.26	Saskatchewan Power Corporation	66
2.27	Saskatchewan Research Council	67
2.28	Saskatchewan Sheep and Wool Marketing Commission	69
2.29	Saskatchewan Telecommunications	70
2.30	Saskatchewan Water Corporation	70
2.31	Teachers' Superannuation Commission	72
2.32	Western Development Museum	73
2.33	Legislative Assembly Office	75
3.	**Other Matters**	
3.1	Special Warrants	77
Appendix I	**The Provincial Auditor Act**	79
Appendix II	**List of Departments, Crown Agencies, Crown Controlled Corporations, Offices of the Legislative Assembly and Other Organizations Subject to an Audit Examination Under The Provincial Auditor Act**	93

REPORT OF THE PROVINCIAL AUDITOR TO THE LEGISLATIVE ASSEMBLY FOR THE FISCAL YEAR ENDED MARCH 31, 1985

1.0 Current Issues of Importance

1.01 For several years I have reported to the Legislative Assembly on the need for the Members of the Legislative Assembly to have additional financial information regarding the Crown Investments Corporation of Saskatchewan (CIC) and CIC's subsidiaries. The subsidiaries of CIC being referred to are Crown agencies incorporated under The Business Corporations Act (Saskatchewan).

In addition to the CIC subsidiaries established under a Business Corporations Act, there are a number of other Saskatchewan Crown agencies carrying out government programs which have been incorporated under a Business Corporations Act (see Appendix II for a list of Crown agencies).

My concern with the government carrying out programs using corporations established under a Business Corporations Act is that the same degree of accountability to the Members of the Legislative Assembly is not required for these Crown agencies, as is required if a Crown agency is established by its own act of the Legislature or pursuant to Part I of The Crown Corporations Act, 1978.

I recommend that legislation be enacted that would require all Crown agencies to table financial statements in the Legislative Assembly in order that the Members of the Legislative Assembly may have sufficient information to hold the government fully accountable for all activities that the government has authorized to be conducted with public funds.

1.02 In my March 31 1982 annual report to the Legislative Assembly I reported as follows:

> *"Current legislation does not explicitly provide that I examine, ascertain and report to the Legislative Assembly*

whether there has been due regard for economy, efficiency and effectiveness in the administration of the government's affairs, thus enabling me to serve the Public Accounts Committee with respect to its mandate in this regard."

The Standing Committee on Public Accounts discussed this matter at length and recommended to the Legislative Assembly on November 23, 1982 that:

"The Committee review the question of comprehensive auditing two audits hence."

In my 1983 annual report to the Legislative Assembly I reported that while The Provincial Auditor Act did not explicitly require me to examine and report on matters relating to economy, efficiency and effectiveness, I was of the opinion that The Provincial Auditor Act did provide me with the power to examine and report upon the management control systems relating to economy, efficiency and effectiveness and that I would await the review and recommendation of the Public Accounts Committee.

My annual report for the year ended March 31, 1985 represents, in my opinion, the elapsed period of time referred to in the Committee's report of November 23, 1982. I look forward to the Committee's review and recommendation on this matter.

1.1 General

The Provincial Auditor Act governs the appointment of the Provincial Auditor and his staff, the powers of the Provincial Auditor and his responsibilities to audit and report. A copy of The Provincial Auditor Act is contained in Appendix I to this report.

Succinctly put, the Provincial Auditor's role is to help the Legislative Assembly hold the government (cabinet and its appointed officials) accountable by reporting to the Legislative Assembly on matters relating to the quality of the government's administration of public money.

All entities, such as Boards, Commissions, Crown Corporations and Departments of the Government of Saskatchewan, should be equally accountable to the Legislative Assembly. In keeping with this philosophy, the Legislative Assembly has established, through The Provincial Auditor Act, uniform audit and reporting requirements for every entity of the Government of Saskatchewan,

regardless of the legal form of the organization and regardless of whether the Provincial Auditor is the sole auditor of that entity or whether another auditor audits the entity, under the direction of the Provincial Auditor.

This uniformity of audit examination and reporting requirements helps to ensure that the Members of the Legislative Assembly will receive uniform information on matters relating to the quality of administration of public money for each entity of the Government of Saskatchewan so as to permit each entity to be held equally accountable except where financial statements of certain Crown agencies are not being tabled in the Legislative Assembly (See Section 1.01 of this report).

The Standing Committee on Public Accounts also reviews the government's quality of administration of public money. In its review the Committee considers the Provincial Auditor's report, the Public Accounts and other documents and hears the testimony of officials of the government appearing before the Committee. From the information presented to the Committee and from its hearings the Committee submits a report, with recommendations, to the Legislative Assembly. This report, with recommendations, is normally concurred in by a motion of the Legislative Assembly.

In order for the process of accountability to work effectively it is important that the goverment act upon the recommendations of the Members of the Legislative Assembly. I report that for the period 1973 to 1984 all but one of the Committee's recommendations have been or are being acted upon. The recommendation not acted upon is the 1980 recommendation requiring the Department of Revenue and Financial Services to review its procedures to ensure that there is a balance between the number of detailed field audits on the one hand and the cost of the audits on the other hand so that an effective check is in place on the assessment of taxes by that Department.

1.2 Cost to Discharge the Legislative Assembly's Audit Requirements

The costs to discharge the audit requirements of the Legislative Assembly are for the most part paid from the appropriation for the Provincial Auditor out of the Consolidated Fund and, therefore, are controlled by the Legislative Assembly.

However, in some instances, these costs are paid directly by an agency of the crown and do not appear as an expenditure from the Consolidated Fund and therefore are not controlled by the Legislative Assembly. The costs which do not appear as expenditures from the Consolidated Fund are the audit fees paid directly, by agencies of the crown, to private sector auditors even though these private sector auditors are reporting to the Legislative Assembly to assist the Legislative Assembly in holding the executive government accountable for the quality of administration of public funds. In order that the total cost of discharging the audit requirements of the Legislative Assembly are reported, I have assembled the audit costs which do not appear as expenditures of the Consolidated Fund.

The following schedule sets out the total costs to discharge the Legislative Assembly's audit requirements segregated between those costs paid from the Consolidated Fund and those costs paid directly by crown agencies and which are not charged to the Consolidated Fund. In addition, the schedule sets out the appropriation for the Provincial Auditor for the 1986 fiscal year and my estimate of the required appropriation for the expenditures of my office to discharge the Legislative Assembly's audit requirements for the 1987 fiscal year.

	Actual		Projected	
	1984 Fiscal Year	1985 Fiscal Year	1986 Fiscal Year	My Estimate 1987 Fiscal Year
Salaries	$2,752,130	$2,637,654	$2,653,270	$2,645,459
Other	915,351	966,888	933,640	1,011,713
Total Charge to Consolidated Fund	3,667,481	3,604,542	3,586,910	$3,657,172
Charges not paid by Consolidated Fund				
Private Sector Auditors	793,913	775,946	Not Available	Not Available
Total Cost	$4,461,394	$4,380,488		

2.

RESULTS OF EXAMINATIONS

2.0 Introduction

Section 12 of The Provincial Auditor Act requires me to report on the results of all examinations of departments of the Government of Saskatchewan and Crown agencies giving details of any reservation of opinion in an audit report and to bring to the attention of the Legislative Assembly every case in which in my opinion:

a) any officer or employee of a department of the Government of Saskatchewan or Crown agency has wilfully or negligently omitted to collect or receive any public money belonging to the crown;

b) any public money was not duly accounted for and paid into the appropriate fund;

c) any appropriation was exceeded or was applied to a purpose or in a manner not authorized by the Legislature;

d) an expenditure was made for which there was no authority or which was not properly vouchered or certified;

e) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person;

f) a special warrant authorized the payment of public money;

g) essential records were not maintained or the rules and procedures applied were not sufficient:

   i) to safeguard and control public money (property);

   ii) to effectively check the assessment, collection and proper allocation of public money; or

   iii) to ensure that expenditures were made only as authorized;

and any other matter that I consider should be brought to the attention of the Legislative Assembly.

An audit examination of every organization of the Government is required to be conducted each year. A list of these organizations appears in Appendix II of this report.

This annual examination is conducted in accordance with generally accepted auditing standards and accordingly consists of such tests and other procedures as I consider necessary to:

1) form an opinion on the adequacy of the control systems implemented by management to ensure that essential records are maintained, public property is controlled and safeguarded, there is an effective check on the assessment and collection of revenue and to ensure that transactions are appropriately authorized;

2) form an opinion on the financial statements prepared by management for the various entities of the Government of Saskatchewan.

Where I am of the opinion that the management control systems allow more than a relatively low risk of error or fraud in amounts that would be material to the organization being audited, where practicable, I examine or cause to be examined an additional selection of transactions to determine whether for those transactions selected:

a) there was no wilful or negligent non-collection of public money;

b) public money has been duly accounted for and paid into the appropriate fund;

c) appropriations were not exceeded or applied to unauthorized purposes;

d) expenditures had adequate authority and were properly vouchered and certified;

e) there has not been a deficiency or loss to the Crown;

f) a special warrant did not authorize the payment of public money.

This examination of the transactions selected is also conducted in accordance with generally accepted auditing standards and accordingly includes such tests and other procedures as I consider necessary in the circumstances.

As is customary in auditing, an audit examination under The Provincial Auditor Act consists of applying selected tests and other procedures to selected transactions and accordingly will not necessarily disclose all conditions of errors or fraud which could be reported pursuant to Section 12 of The Provincial Auditor Act, as not all transactions of the Government have been examined. Accordingly, the reporting or non-reporting of an observation is not intended to provide any assurance on transactions which have not been examined.

In addition, because of the inherent limitations in any system of management controls, errors or fraud may occur and not be detected. Also, projection of any evaluation of the system of management controls to future periods is subject to the risk that management procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

The observations contained in this section of my report are the significant observations made in connection with the audits performed in the previously described manner.

2.1 Agricultural Credit Corporation of Saskatchewan

A study and evaluation of the management control systems for the operation of the Corporation disclosed the following condition which, in my opinion, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to the Corporation may occur and not be detected in a timely period.

The Corporation does not have controls in place to ensure that its investments are authorized investments.

The corporation has informally delegated to the Department of Finance the authority to purchase investments for the Corporation.

2.2 Crown Investments Corporation of Saskatchewan

(1) In my 1983 and 1984 annual reports I reported that CIC has a number of subsidiary companies, for which financial statements are not presently tabled in the Legislative Assembly. I recommended and continue to recommend that the Standing Committee on Public Accounts review this matter as I am of the opinion that such information would be useful in order to assist the Assembly in holding the government accountable for the operations of these companies.

(2) During the audit of the accounts of CIC Industrial Interests Inc. (CIC III) my representatives made the following observation:

In September, 1984 CIC III received 2,161,984 rights from Ipsco Inc. as part of a rights offering for common shares in that company. The rights entitled the holder to purchase additional Ipsco Inc. common shares at the rate of one common share for each four rights held. These rights were neither exercised nor sold by CIC III and were subsequently transferred at no cost to six crown administered pension funds pursuant to a resolution of the CIC III Board of Directors. The rights were then exercised by the pension funds for the purchase of Ipsco Inc. shares. The Ipsco Inc. share rights were publicly traded and had a value of between $.32 and $.46 each according to Toronto Stock Exchange published information for a total value of between $691,834 and $994,512.

In my opinion, if these assets (rights to Ipsco Inc. shares) were surplus to the needs of CIC III, a dividend should have been declared to the shareholders of the company, being the Crown Investments Corporation of Saskatchewan (CIC). In my opinion, if these assets in CIC were then found to be in excess of the Corporation's needs, Section 30(3) of The Crown Corporations Act allows the Lieutenant Governor in Council to direct the Corporation to pay to the Minister of Finance any portion of moneys administered by the Corporation that the Lieutenant Governor in Council considers to be in excess of the amount to be retained by the Corporation.

In my opinion, if the Lieutenant Governor so decided then the payment of these excess assets would be made to the Consolidated Fund pursuant to Section 25 of The Department of Finance Act, 1983, which reads:

"All public money, other than:

a) public money over which the Legislature has no power of appropriation; and

b) money otherwise specially disposed of by the Legislature;

is to form one consolidated fund to be appropriated for the public services of Saskatchewan."

In my opinion, if the intent of the government was to provide these pension funds with the benefit that they had received, then such a benefit would be subject to an appropriation.

In addition, the legislation governing certain of these pension funds is restrictive as to what money can constitute the Fund and, therefore, does not permit those Funds to receive these assets directly from CIC III.

Accordingly, it is my opinion that this public money (rights to shares) has not been paid into the appropriate fund.

2.3 Department of Advanced Education and Manpower

The observations contained in this section of my report pertain to the audit of each of the following organizations and special purpose funds:

Department of Advanced Education and Manpower
Kelsey Institute of Applied Arts & Sciences Revolving Fund
LaRonge Region Community College
Northeast Community College
Parkland Community College
Regina Plains Community College
Saskatchewan Indian Community College
Student Aid Fund
University of Regina
University of Saskatchewan
Wascana Institute of Applied Arts & Sciences Revolving Fund

(1) Section 41 of The Department of Finance Act, 1983 states that:

"Notwithstanding the provisions of any other Act, no department, board, commission or agent of the Government of Saskatchewan and no Crown corporation shall borrow any moneys without the approval of the Minister."

A review of the financial statements of the community colleges for the year ended June 30, 1984 indicated that LaRonge, Northeast, Parkland, Regina Plains and Saskatchewan Indian Community Colleges had reported bank overdrafts or loans. My representatives have not been provided with evidence that these borrowings have been approved by the Minister of Finance as required by The Department of Finance Act, 1983.

(2) Section 63 of The University of Regina Act states:

"The Board shall not incur any liability or make any expenditure that will have the effect of impairing the financial status of the university unless an estimate thereof has been first submitted to and approved by the minister."

For the year ended April 30, 1984, the University of Regina incurred a net loss on operations of $3.2 million. The $3.2 million loss resulted in the University having an accumulated deficit of $2.3 million as at April 30, 1984.

There was no approval by the Minister of Advanced Education and Manpower authorizing the University to incur a deficit.

(3) Page 6810.3 of the Treasury Board Manual sub-section 7(2) states that:

"Treasury Board may wish to approve budgeted operating deficits. Effective April 1, 1983 any deficit which is in fact a subsidy and not a deficit due to business fluctuations must be subsidized by an item included in the department appropriation in the same year."

During the year a sum of $50,000 was paid from the Kelsey Institute of Applied Arts and Sciences appropriation to the revolving fund. This was described in the Revolving Fund financial statements as "allowances for training costs" and is classified as "Scientific and Education Supplies" in the detailed expenditures for the appropriation contained in Volume II of Public Accounts. However, as there appear to be no formal, established procedures to ascertain the total actual costs of such training activities carried out by the Revolving Fund, this payment was not capable of being properly vouchered or certified with respect to goods received or services rendered. In addition, the payment closely resembles a subsidy as described on page 6810.3 of the Treasury Board Manual, which requires a separate departmental appropriation. There was no specific appropriation for this payment in 1984/85.

This matter was also reported in my 1984 annual report to the Legislative Assembly. This matter was considered by the Standing Committee on Public Accounts in a public hearing on May 2, 1985. During the hearing my representatives

advised the Committee that the documented concurrence of Treasury Board should be obtained so that the compliance or non-compliance with the Treasury Board Regulation is mutually agreed upon and acknowledged as such.

In response the Deputy Minister of Advanced Education and Manpower advised the Committee that the Department would undertake to obtain such Treasury Board acknowledgement.

At the date of this report my representatives have not been provided with evidence that Treasury Board has acknowledged that the Department's method of operation is in compliance with the regulation.

(4) A study and evaluation of the management control systems of the Wascana Institute of Applied Arts and Sciences Revolving Fund disclosed the following condition which, in my opinion, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to the fund may occur and not be detected within a timely period.

There were insufficient management controls to permit the preparation of accurate financial statements for the operations of this Revolving Fund due to the absence of appropriate procedures to establish the year end inventory value.

Due to the absence of appropriate management control systems my representatives conducted an examination to determine whether any errors had occurred in the calculation of the year end inventory value determined by officials of the Department. My representatives determined that the inventory value was mistated by $81 thousand, a material amount for this Revolving Fund.

When presented with the information that the year end inventory value was incorrect, officials responsible for the operation of this Revolving Fund chose to adjust the records of the Fund and to adjust the financial statements to be tabled in the Legislative Assembly so that they reflected the correct results of operations and inventory value.

(5) Page 6810.3 of the Treasury Board Manual states under sub-section 7(1):

"The revolving fund is normally expected to reflect break-even operations; that is, the revolving fund must recover the cost of capital used in the operations and the operating and administrative expenses incurred. Recovery rates should normally be set to recover the cost of capital used or expired during the year, the operating expenses over a normal operating cycle and the administrative expenses over a fiscal year."

The Wascana Institute of Applied Arts and Sciences (WIAAS) sells manuals, printed by the Institute's duplicating office, through its bookstore operations and credits the revenue to the Revolving Fund. The majority of the costs related to the printing of these manuals was paid, for the period under review, out of the Consolidated Fund with monies appropriated by the Legislature for the sub vote WIAAS under the vote for Advanced Education and Manpower instead of by the Revolving Fund.

Consequently, the net operating surplus of the Revolving Fund, as disclosed in its financial statements, includes revenues from the sale of these manuals but does not include all the costs associated with their production. Without such matching of cost with related revenues, it may not be possible to ensure compliance with section 7(1) mentioned above.

(6) The Student Assistance and Student Aid Fund Act, Chapter S-61 states in sub-section 4(7) that:

"All moneys appropriated by the Legislature for the purposes of this Act shall be paid into and form part of the fund."

For the year 1984/85 the Legislature appropriated $12,903,800 to the Saskatchewan Student Aid Fund under Vote 5, sub vote 4 of the 1984/85 estimates. However, during the year ended March 31, 1985 the Department of Advanced Education and Manpower paid only $9,617,850 to the Fund. The remaining $3,285,950 was transferred by virement by the Department to other sub votes within Vote 5.

In my opinion the $3,285,950 should have been paid to the Fund and to the extent that these funds were spent on other programs of the Department they represent monies which were applied to purposes not authorized by the Legislature.

A fundamental principle of our responsible parliamentary system of government is that the Legislative Assembly determines how much and for what purpose the executive government can spend money. This is accomplished by consideration of the Government's fiscal plan (the estimates) and the appropriation of the requested funds for the purposes set out in those estimates. This consideration and sanction of the estimates is at the sub-vote (program or branch) level.

The virement procedure set out in The Department of Finance Act, 1983 allows the executive government to change the executive government's fiscal plan at the "sub-vote" (program or branch) level which is set out in the estimates and given legislative sanction by the Assembly, without those changes being subject to review and debate by the Legislative Assembly. This procedure differs from the treatment given to special warrants, which also represent changes to the executive government's fiscal plan, as special warrants require review and debate by the Legislative Assembly.

For several years I have reported to the Legislative Assembly my concerns with respect to the virement process, most recently in my 1983 annual report to the Legislative Assembly. In my 1983 report I recommended and I continue to recommend that virements be accorded equivalent mechanisms for review and approval by the Legislative Assembly as are provided for special warrants so as to preserve the constitutional tradition of parliamentary control of the public purse.

(7) The examination of the LaRonge Region Community College disclosed that officials of the College failed to maintain adequate records to facilitate the preparation of accurate financial statements. The records required significant adjustments to make them accurate.

The lack of adequate records can result in inaccurate financial reports being produced. If these inaccurate reports are used for decision making by the management or the Board of Directors of the College, incorrect decisions might be taken resulting in losses to the College.

In addition, it was also observed that several of the minutes of the meetings of the Board were unsigned. Without signed minutes there is no evidence to support the authenticity of decisions taken by the Board.

(8) The examination of the Northeast Community College disclosed that officials of the College failed to maintain adequate records to facilitate the preparation of accurate internal and external financial statements. The records required significant adjustments to make them accurate.

The lack of adequate records can result in inaccurate financial reports being produced. If these inaccurate reports are used for decision making by the management or the Board of Directors of the College, incorrect decisions might be taken resulting in losses to the College.

In addition, it was observed that officials of the College failed to maintain a reliable system of accounting for the capital assets of the College as required by The Community College Act.

2.4 Department of Agriculture

The observations contained in this section of my report pertain to the audit of each of the following organizations and special purpose funds:

Agricultural Supplies Revolving Fund
Conservation and Development Revolving Fund
Department of Agriculture

(1) A study and evaluation of the management control systems disclosed the following conditions which, in my opinion, resulted in more than a relatively low risk that errors or fraud in amounts that would be material to the Department of Agriculture may occur and not be detected within a timely period.

a) The system to safeguard and control the Saskatchewan Heritage Fund investment in agricultural lands and related assets does not provide for a reconciliation of the agricultural lands subsidiary record to the general ledger. The absence of this control procedure allows the possibility of errors in the amount reported as an investment in agricultural land and related assets in the Saskatchewan Heritage Fund financial statements.

b) Officials of the Department of Agriculture are responsible to administer a number of programs which provide assistance to farmers based upon certain eligibility criteria. These programs include the Farm Purchase Program, Livestock Drought Assistance

Program, Livestock Investment Tax Credit Program and the North East Excess Moisture Program.

The eligibility to receive benefits under these programs is based upon an individual's personal declaration of circumstances.

The eligibility of persons receiving benefits from these programs is not checked by officials of the Department to verify eligibility before benefits are paid to individuals.

Officials of the Department have established procedures to verify the eligibility of recipients of benefits under these programs after benefits have been paid. The system provides for a post-eligibility audit for a sample of individuals receiving grants and payments. However, officials of the Department have not determined in advance, the number of individuals whose eligibility will be verified and an acceptable error rate to allow for appropriate evaluation of sample results. The result of this inadequate control procedure allows the possibility that a program may have an unacceptable number of ineligible recipients.

My representatives observed that the post-eligibility audit conducted by officials of the Department as at September 30, 1985 disclosed that for those recipients audited the following amounts were paid to ineligible recipients:

Program	Amount
Farm Purchase Program	$82,500
Livestock Drought Assistance Assistance Program	51,253
Livestock Investment Tax Credit Program	140,252
Northeast Excess Moisture Program	26,608

My representatives also observed that management had taken steps to recover these payments made to ineligible recipients.

(2) A study and evaluation of the management control systems for the Agricultural Supplies Revolving Fund disclosed the following condition, which, in my opinion, resulted in more

than a relatively low risk that errors or fraud in amounts that would be material to the operations of this Revolving Fund may occur and not be detected within a timely period.

Officials of the Department maintain a perpetual inventory record and also conduct a physical inventory for the purposes of preparing the annual financial statements for the Revolving Fund. There are, however, no procedures to compare the physical inventory to the perpetual records nor a requirement to determine the reasons for any differences.

These deficiencies in procedures may result in officials of the Department being unaware of lost or stolen inventory.

My representatives conducted additional audit procedures to determine if there were material differences between the perpetual inventory records and the annual physical inventory. It was determined that there was a difference of approximately $20 thousand. I am unable to determine the reasons for this difference.

(3) In my 1982 annual report to the Legislative Assembly I reported that a loan of $634 thousand had been made to a company out of the Agricultural Supplies Revolving Fund (previously Advance Account) without apparent statutory authority.

In my 1983 report to the Legislative Assembly I reported that the company had filed an assignment in bankruptcy and the potential recovery on the loan would be approximately $250 thousand.

In my 1984 annual report to the Legislative Assembly I reported that by virtue of the original conditions of the loan, the Government of Saskatchewan had preferred creditor status and as a result of this status was entitled to recover all the funds of the bankrupt company being approximately $325 thousand. I also reported that the Government of Saskatchewan waived its preferred creditor status and decided to participate in the distribution of the assets as an unsecured creditor.

The bankruptcy distribution is now complete and the Government of Saskatchewan has realized $211 thousand on this unauthorized loan. Accordingly, I report there has been a loss to the Crown of $423 thousand.

(4) A study and evaluation of the management control systems for the Conservation and Development Revolving Fund disclosed the following conditions which, in my opinion, resulted in more than a relatively low risk that errors or fraud in amounts that would be material to the operation of this Revolving Fund may occur and not be detected within a timely period.

a) Periodic financial reports were not prepared, other than for the month of October, 1984, for the operation of the Revolving Fund. A lack of review of actual performance compared to plan could result in senior management not being aware of funds being expended for purposes or in a manner not authorized in the annual operating and capital budgets.

In addition, Treasury Board has directed that financial statements for each quarter of the fiscal year are to be prepared and submitted to Treasury Board together with a projection of operations and cash requirements for the remainder of the fiscal year.

b) Management had not implemented an adequate system to determine an accurate year end value for the inventory for the purposes of preparing financial statements.

Due to this absence of appropriate management control, my representative conducted additional audit tests and procedures to determine whether any errors had occurred in the calculation of the year end inventory value determined by officials of the Department and presented in the financial statements given to my representatives for audit. My representatives determined that the year end inventory value was mistated by $69 thousand, a material amount for this Revolving Fund.

When presented with the information that the year end inventory value was incorrect, officials responsible for the operation of the Revolving Fund chose to adjust the records of the Revolving Fund and to adjust the financial statements to be tabled in the Legislative Assembly so that they reflected the correct results of operations and inventory value at year end.

(5) **Pursuant to Section 12 of The Provincial Auditor Act, I report that my auditor's report on the financial statements of the Saskatchewan Agricultural Returns Stabilization Fund for the year ended March 31, 1985 contained a reservation of opinion. My auditor's report reads as follows:**

"I have examined the balance sheet of The Saskatchewan Agricultural Returns Stabilization Fund as at March 31, 1985, and the statement of revenue and expenditure and fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances, except as explained in the following paragraph.

Because the Saskatchewan Beef Stabilization Board had not established a timely system to invoice producers for animals marketed outside the Board, an estimated amount for the potential contributions receivable as at March 31, 1985 was recorded as follows:

Contributions receivable	
Cow Calf to Finish Market Insurance Plan	
Government of Saskatchewan	*$357,885*
Producers	*$357,885*
Feeder Finish Market Insurance Plan	
Government of Saskatchewan	*$ 65,232*
Producers	*$ 65,232*

Since it was impracticable for me to extend my examination to verify this information, I was unable to determine whether an adjustment might be necessary to contributions receivable, fund deficiency, revenue (producer contributions and Government of Saskatchewan) and the excess of revenue over expenditure for the Cow Calf to Finish Market Insurance Plan and the Feeder Finish Market Insurance Plan.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself with respect to the balance of contributions receivable described in the preceding paragraph, these financial statements present fairly the financial position of the fund as at March 31, 1985, and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year."

My report advises the reader of the financial statements that as a result of management not establishing a system to accurately determine the marketing levy, due from producers, for animals marketed outside of the Saskatchewan Beef Stabilization Board, I am unable to examine sufficient appropriate audit evidence to form an opinion on the accuracy of management's estimate of the levy receivable.

(6) Paragraph 7, page 6810.3 of the Treasury Board manual states:

> "*(1) The revolving fund is normally expected to reflect break-even operations; that is, the revolving fund must recover the cost of capital used in the operations and the operating and administrative expenses incurred. Recovery rates should normally be set to recover the cost of capital used or expired during the year, the operating expenses over a normal operating cycle and the administrative expenses over a fiscal year.*
>
> *(2) Treasury Board may wish to approve budgeted operating deficits. Effective April 1, 1983 any deficit which is in fact a subsidy and not a deficit due to business fluctuations must be subsidized by an item included in the department appropriation in the same year.*"

The Conservation and Development Revolving Fund has incurred an operating loss for the second successive year (1984 - $.22 million; 1985 - $1.44 million). The continued operation of the Revolving Fund with deficits of this magnitude appears to contradict the guiding principles for revolving funds as documented above. Further, if these deficits are in fact a subsidy, officials of the Department should include a like amount in the annual budget estimates in the same year that the deficits are expected to be incurred so that, as Treasury Board intended, the estimates are as accurate as possible.

(7) Pursuant to Section 12 of The Provincial Auditor Act, I report that my auditor's report on the financial statements of the Conservation and Development Revolving Fund contained a reservation of opinion. My auditor's report reads as follows:

> "*I have examined the balance sheet of the Conservation and Development Revolving Fund as at March 31, 1985 and the statements of operations and accumulated operating surplus*

(deficit), financing activities and accumulated net expenditure for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

As described in Note 4, fixed assets recorded at a net book value of $982,262 were transferred to the Saskatchewan Water Corporation under authority of Order-in-Council 1211/84. The net book value of $982,262 has been recorded as a loss on disposal of fixed assets and included in the extraordinary loss in the Statement of Operations. This recognition of a loss on disposal and resultant charge to the Statement of Operations is, in my opinion, inappropriate because this transfer of fixed assets does not represent a loss to the Crown but is a transfer of fixed assets between Crown Agencies. In my opinion, the appropriate accounting treatment to reflect this reduction in equity is to reduce the accumulated net expenditure account. Had the appropriate accounting treatment been followed, the extraordinary loss, net loss for the year and the accumulated operating deficit at year end in the Statement of Operations and the accumulated net expenditure and accumulated operating deficit in the balance sheet would have all been reduced by $982,262.

In my opinion, except for the effects of the failure to follow the appropriate accounting treatment for the transfer of fixed assets as described in the preceding paragraph, these financial statements present fairly the financial position of the Revolving Fund as at March 31, 1985 and the results of its operations and the changes in its financing activities for the year then ended in accordance with the disclosed basis of accounting applied on a basis consistent with that of the preceding year."

My report advises the reader of the financial statements that, in my opinion, the financial statements have been prepared using an inappropriate accounting principle for the transfer of assets between Crown agencies.

2.5 Department of Co-operation and Co-operative Development

During the audit of the Department it was observed that under the authority of Order-in-Council 1063/82 the officials of the Department had entered into an agreement with the University

of Saskatchewan to assist in the funding of a centre for the study of co-operatives and credit unions. The agreement provides for a grant to be made to the centre by the Department subject to a formula contained in the agreement. In order to calculate the amount of the grant payable, the University is required to provide the Minister with details of certain costs for the operation of the centre and the grant payable is to be the lessor of 40% of these costs or the amount contributed in 1982 plus 15% compounded annually. In March, 1985 the Department paid a grant of $130,975 to the centre without having received details of costs in accordance with the formula as outlined in the agreement.

Accordingly, in my opinion the payment of $130,975 represents a payment which was not properly vouchered.

2.6 Department of Economic Development and Trade

During the audit of the accounts of The Market Development Fund my representatives made the following observation.

Section 4(2) of The Agricultural Products Market Development Fund Act stipulates that *"the fund shall consist of: (a) moneys appropriated by the Legislature for the purpose of the fund; (b) and moneys transferred to the fund by the Minister from sums appropriated for that purpose."* However, beginning with the 1984/85 year, the appropriation for The Market Development Fund was no longer identified separately but moneys were paid from the sub vote described as "Grants for investment and trade development" in the estimates for the Department of Economic Development and Trade. It would appear that in order to ensure compliance with the Act, moneys to be made available to The Market Development Fund must be specifically appropriated for that purpose.

2.7 Department of Finance

(1) At the date of this report I have completed my examination of the financial statements of the Consolidated Fund and Saskatchewan Heritage Fund for the year ended March 31, 1985, which were submitted to me for audit examination by management. These financial statements were submitted to Treasury Board on December 20, 1985, however, they have not received format approval as required by Treasury Board and accordingly I have not issued my auditor's report thereon.

Should my report on the 1985 financial statements contain a reservation of opinion, I will provide details of any reservation in my 1986 annual report.

(2) The Canadian Institute of Chartered Accountants (CICA) has recently published standards for general purpose summary financial statements prepared for the purpose of disclosing fully the revenues, expenditures and financial position of a government.

Section 65 of The Department of Finance Act, 1983 requires the Minister of Finance to cause the Comptroller to prepare statements showing clearly and fully the revenues, expenditures and financial position of the Government of Saskatchewan and those statements are to be part of the public accounts. Section 65 also requires statements to show the state of the Consolidated Fund.

I am advised that the main financial statements to be included in public accounts, as in prior years, will be statements for the Consolidated Fund and the Saskatchewan Heritage Fund, together with a financial statement adding these two statements together which shows the combined activities of these two funds. My auditor's report on such combined financial statements will contain a warning to readers so that readers will be aware that these financial statements are not general purpose financial statements as proposed by CICA which show fully the revenues, expenditures and financial position of the Government of Saskatchewan.

I was advised on August 2, 1984 by the Comptroller, Department of Revenue and Financial Services, that a study is underway on the most appropriate method to present financial statements that will fully disclose the revenues, expenditures and financial position of the Government of Saskatchewan in accordance with the recommendations of the Canadian Institute of Chartered Accountants.

For several years I have reported my concerns with the manner in which the revenues, expenditures and financial position of the Government of Saskatchewan are presented to the Legislative Assembly of Saskatchewan in the Public Accounts of the Province.

My concern is that public attention, debate and decisions are directed towards reported amounts in the "main" financial statements included in the Public Accounts which do not present fully the revenues, expenditures and financial position of the Government of Saskatchewan.

Without appropriately prepared summary financial statements the Members of the Legislative Assembly and the electorate they represent do not have sufficient information to assess such things as the sufficiency of the level of taxes being imposed.

Accordingly, I continue to recommend that the Government of Saskatchewan include in the Public Accounts a summary general purpose financial statement, as proposed by the CICA, showing clearly and fully the revenues, expenditures and financial position of the Government of Saskatchewan in accordance with the economic substance of transactions.

(3) A study and evaluation of the management control systems of the Department disclosed the following conditions which, in my opinion, resulted in a more than relatively low risk that errors or fraud in amounts that would be material in relation to the Department may occur and not be detected within a timely period:

a) Officials of the Department of Finance have indicated that the Department is responsible in every instance for ensuring that an investment made on behalf of a client crown agency is made within the limits of any existing legislation. For most of the Department's clients, investments purchased must satisfy the requirements of regulations issued under The Canada Pension Benefits Standards Act. These regulations contain specific restrictions concerning the eligibility of certain investments. For instance, an investment may be made in an instrument of indebtedness of a corporation if, at the date of investment, the shares of the corporation are authorized investments. Fully paid common shares of a corporation are authorized if, during a period of five years ending less than one year before the date of investment, a dividend was paid, or earnings were sufficient to pay a dividend, in each such year, of at least four percent of the average carrying value of the shares.

Officials of the Department do not perform a systematic check to determine if the restrictions contained in these regulations are met but instead rely on the expertise and knowledge of certain departmental investment officials involved daily in conducting investment transactions. In the course of conducting investment transactions, these investment officials rely extensively on the reputation and expertise of Canada's major investment dealers with whom they deal with the assumption that investments which would be ineligible under these regulations would not be offered for sale to institutional purchasers. The Department is not in possession of any written evidence, however, that would provide assurance that these dealers consider legislative criteria when selling or recommending particular investments. Reliance is also placed on investment rating services by investment officials. Again, there is not written evidence that these rating services perform the necessary tests of legislative eligibility.

As a consequence, a purchase of an investment could be made which is in contravention of restrictions respecting allowable investments as contained in the enabling legislation for a particular crown agency.

b) Under Section 8 of The Department of Finance Act, 1983 the Minister of Finance is delegated responsibility for all matters relating to the management of the public debt of the Government of Saskatchewan.

One of the requirements established by statute concerning the management of the public debt is contained in Section 41 of The Department of Finance Act, 1983:

"41. Nothwithstanding the provisions of any other Act, no department, board, commission or agent of the Government of Saskatchewan and no Crown corporation shall borrow any moneys without the approval of the minister."

No procedures are currently performed which would provide assurance that the intentions of the Legislature as expressed by Section 41 are fulfilled. As a result, borrowings may be made by crown agencies without the approval of the Minister of Finance and any such

unauthorized borrowings could occur without ready detection.

See also sections 2.3(1), 2.7(6)(a), 2.21, 2.29(2) and 2.30(2)(b) of this report.

(4) In my 1984 annual report to the Legislative Assembly I reported that a Crown agency had been established under The Business Corporations Act for the purpose of acquiring interests in real property and leaseholds out of funds provided by a number of Crown administered pension funds.

The Crown agency is called SaskPen Properties Ltd. (SaskPen), and is beneficially owned by the pension funds. In return for the monies advanced to SaskPen, the Pension Funds were to receive as consideration for their investment, common shares and fully participating 3% bonds, issued by SaskPen.

I am of the opinion that the provisions of the governing authorities for these pension funds would not have permitted the pension funds to directly purchase these properties.

Since I am of the opinion that the pension funds would not be permitted to purchase these properties directly, and since this investment had been made in shares and bonds of a company whose only assets were the same properties which would not be permitted as a direct purchase by the pension funds, I recommended that if this type of investment was to be allowed, the statutory authorities for the investment of pension funds be amended to specifically permit such investment.

I also reported that my legal counsel has informed me that if the letter of the trustees obligation has not been adhered to for whatever reason the trustee may be liable to his beneficiaries for any loss which occurs as a result.

The Standing Committee on Public Accounts heard testimony from officials of the Department of Finance on this matter at two public hearings on May 9, 1985 and on June 5, 1985 and recommended the following action in their report to the Legislative Assembly:

"The Committee recommends adopting the proposals of the Provincial Auditor with respect to SaskPen Properties Ltd."

As the legislation has not been amended to date, my concerns with respect to this investment and all other real estate investments made through similar investment vehicles, such as Pension Fund Realty, continue.

(5) A study and evaluation of the management control systems of SaskPen Properties Ltd. disclosed the following conditions which, in my opinion, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to SaskPen Properties Ltd. may occur and not be detected within a timely period:

a) A primary responsibility of the Board of Directors is the review and approval of financial statements with a comparison of actual results to budgeted amounts. This responsibility cannot be delegated to senior management because one of the purposes of the review of financial statements and budgets is to provide direction and control with respect to the activities of senior management.

Since the inception of the Corporation in June, 1983, no interim or annual financial statements, nor any capital or operating budgets have been prepared for and approved by the Board. Although budgets are prepared for the Joint Ventures that SaskPen is a party to, there is no evidence in the Board minutes that the Joint Venture budgets have been reviewed and approved by the Board.

b) There is no evidence that the Board and senior management have prepared written policies and procedures to communicate to employees the nature of the Corporation's internal control system, accounting policies and procedures, and to provide benchmarks and guidelines against which compliance with the management controls can be measured and reported to the Board and senior management.

In addition, the degree of assurance obtained from an audit for compliance with joint venture agreements, referred to in c) below, is dependent on the communication of SaskPen's policies to the compliance auditor. The policies are in part derived from SaskPen's interpretation of their joint venture agreements.

c) The amount of revenue earned and expenditure incurred by the Corporation depends to a significant degree on whether or not the Construction Manager and the Property Manager operate in compliance with the Co-ownership Management Agreements which contain detailed and complex provisions dealing with the measurement of revenues and expenditures.

To date, the only audit of the co-ownership agreements has been an audit toward the expression of an opinion on the financial statements of the joint ventures in accordance with generally accepted auditing standards resulting in an audit report on the financial statements. No compliance audit has been conducted by the auditor resulting in a report by the auditor on compliance with the co-ownership management agreements.

An audit to report on financial statements does not provide assurance that the provisions of the Agreements have been complied with by the Construction and Property Managers.

In my opinion, the lack of an independent audit of the joint venture accounts and records for the purpose of expressing an opinion on compliance with the terms of the Management Agreements, indicates that the system of management controls is not adequate to ensure that (1) public money is safeguarded, (2) that all public money has been fully accounted for, and (3) all expenditures are properly supported and authorized.

d) The Corporation's general ledger is not balanced monthly, as is customary, but instead only once a year. The periodic trial balancing of the general ledger is necessary to facilitate the preparation of interim financial statements and to provide control accounts in order that recorded assets and liabilities can be periodically checked for completeness and accuracy.

(6) In addition to the deficiencies in management controls systems, my representatives also observed the following during the audit of SaskPen Properties Ltd:

a) Section 41 of The Department of Finance Act, states:

"Notwithstanding the provisions of any other Act, no department, board, commission or agent of the Government of Saskatchewan and no Crown corporation shall borrow any moneys without the approval of the minister."

The Corporation has borrowed several millions of dollars in the form of bonds and mortgages. There is no evidence that such borrowings received the approval of the Minister of Finance.

Although the government may not be legally bound should the Corporation become insolvent, government officials are administering SaskPen in an official capacity, and as a result, there could be pressure on the government to retire such debt.

In my opinion, Sections 40 and 41 of The Department of Finance Act, 1983, were intended to protect against Crown agencies encumbering the Government of Saskatchewan without the approval of the Minister of Finance. Accordingly, in my opinion, SaskPen's borrowings should also be authorized by the Minister of Finance.

b) At the date of this report, I have not completed my examination of the annual financial statements of SaskPen Properties Ltd. for the years ended December 31, 1983 and 1984 due to delays in receiving the financial statements.

Furthermore, the lack of annual financial statements places the Corporation in contravention of Section 6.1 of the Bond Purchase Agreements which provide that the financial statements of the Corporation will be furnished to each bondholder within ninety (90) days after the close of its fiscal year.

The examination also disclosed that the Property Manager has not been complying with Section 4.04 of the Property Management Agreements which require the Property Manager to prepare for the co-owners an annual report including financial statements for each property within thirty (30) days after the closing of each fiscal year. None of the joint venture financial statements are being received by the Corporation by the required deadline and some statements are not received until several months after the close of the fiscal year.

c) Section 5 of The Business Corporations Act, 1977 provides that only persons may incorporate a corporation. This Act defines "person" to include an individual, partnership, association, body corporate, trustee, executor, administrator or legal representative.

According to my legal counsel four of the six shareholders of SaskPen are registered improperly on the share certificates of SaskPen because the shareholders described are not persons (or legal entities) but are merely Funds or Accounts. Outlined below are the names registered on the shares and the corresponding actual legal owner of the share certificates.

Name Registered on Share	Actual Shareholder (trustee)
Municipal Employees Superannuation Fund (Saskatchewan)	Minister of Finance
Public Employees (Government Contributory) Superannuation Plan (Saskatchewan)	Supervisory Board
Teachers' Superannuation (Saskatchewan)	Minister of Finance
Saskatchewan Government Insurance Superannuation Fund	Saskatchewan Government Insurance Corporation

(7) During the audit of the Saskatchewan Heritage Fund my representatives observed that at the time the Pioneer Trust Company was ordered into liquidation the Saskatchewan Heritage Fund held the following deposit certificates issued by the company:

	Principal	Interest	Total
GIC 67292	$1,000,000	$7,052	$1,007,052
GIC 67258	1,000,000	8,996	1,008,996
GIC 70483	2,000,000	19,726	2,019,726
	$4,000,000	$35,774	$4,035,774
Recovery from Canada Deposit Insurance Corporation			60,000
			$3,975,774

My representatives also observed that application was not made for the reimbursement of the balance of the deposit certificates plus interest net of proceeds of $60,000 from the Canada Deposit Insurance Corporation as allowed for in the Pioneer Trust Depositors Assistance Act. Management has, however, registered a claim with the liquidator of the company which may result in partial recovery from the proceeds of liquidation of the assets of The Pioneer Trust Company. The most recent information from the liquidator is that the Saskatchewan Heritage Fund will receive approximately $2.7 million as settlement. Therefore, there is a loss to the Saskatchewan Heritage Fund of approximately $1.2 million and a corresponding understatement in the Consolidated Fund expenditure for payments to or on behalf of any depositor of the Pioneer Trust Company.

2.8 Department of Health

The observations contained in this section of my report pertain to the audit of each of the following organizations and special purpose funds:

Department of Health
Frank Eliason Centre
Parkland Regional Care Centre

Saskatchewan Cancer Foundation
Saskatchewan Hospitalization Fund
Saskatoon Sanatorium
Wascana Rehabilitation Centre

(1) Grants under the Home Care Program operated by Continuing Care Division of the Department of Health are approved by the Minister of Health under the authority of Section 54(d) of The Health Services Act, based on the estimated requirements of Home Care Boards at the beginning of each fiscal year. A Home Care Policy Manual is published by the Continuing Care Division which is used to provide the basic policy reference for those associated with the Home Care Program. Adherance to the policies in the Manual is stated to be one condition under which funding is provided to district boards by the Minister of Health. The policy manual covers financial, service delivery, and client fee policies and as such determines the basic level of service to be provided by the program and provides criteria for subsidization of the service.

Certain observations have been made in connection with the administration of this program:

a) There is no evidence of ministerial approval of the policy manual or amendments made to it from time to time nor have regulations been issued to govern the administration of this program as permitted by Section 62 of The Health Services Act.

b) Certain program criteria are not specified in the Manual. For example, the policy manual indicates everyone must pay the full costs of services rendered in excess of the first $60 worth per month, or may apply for a subsidy. The amount of subsidy is stated to be dependent on the level of income and the amount of service utilized but no criteria are specified.

These observations lead me to conclude that the terms of authorization for the provision of grants and allowances for Home Care are not satisfactory for the purposes of ensuring expenditures are made only in accordance with the intentions of the Minister and the Executive Council.

(2) Section 54(d) of The Health Services Act states:

"54. Subject to any regulations made under this Act the minister may:

d) make grants or subsidies to any health agency, as he may deem necessary."

By Minister's Order #68-84, the minister approved the payment of grants to special care facilities which includes a grant to Saskatchewan Hospital Services Plan for level 4 beds in hospitals in the amount of $19,395,000.

During the year, payments were made to S.H.S.P. totalling $19,798,090. This resulted in an overpayment of $403,090 which was not authorized.

(3) Officials of the Department of Health operate imprest bank accounts for the purposes of paying certain salaries. Treasury Board has issued directives which govern the operation of these imprest bank accounts. One of these conditions is that under no circumstances are these imprest bank accounts to be overdrawn. The purpose of this rule is to ensure that an overexpenditure of an appropriation does not inadvertantly occur.

It was observed that two of the imprest bank accounts operated by officials of the Department were overdrawn for periods of time during the year.

(4) During the audit of Frank Eliason Centre, Parkland Regional Care Centre and the Saskatoon Sanatorium my representatives observed that officials responsible for the administration of these centres had not charged residents who were Registered Indians at the rate set out in The Housing and Special-care Homes and Rates Regulations but rather have charged these residents at the same rate as all other residents of these centres.

(5) A study and evaluation of the management control systems of the Saskatchewan Cancer Foundation disclosed the following condition which, in my opinion, resulted in more than a relatively low risk that errors or fraud in amounts that would be material to the operations of the Foundation may occur and not be detected within a timely period.

One element of management controls is a system of authorization controls which ensure that each transaction has been properly authorized. During the period under examination these controls were not present with regard to the following transactions.

The Foundation reimburses the Saskatchewan Medical Care Insurance Commission (M.C.I.C.) for fees paid to doctors providing treatment to registered cancer patients in the Province, such payments being the responsibility of the Foundation pursuant to Section 4 of The Cancer Foundation Act. However, the Foundation does not receive any detailed support with the billings from M.C.I.C. nor does it perform other procedures to determine their accuracy. Consequently, the Foundation has no means of ensuring that amounts paid to M.C.I.C. are only for authorized services.

(6) A study and evaluation of the management control systems of the Saskatchewan Hospitalization Fund disclosed the following condition which, in my opinion, resulted in more than a relatively low risk that errors or fraud in amounts that would be material to the operations of the Fund may occur and not be detected within a timely period.

One element of management controls is a system of organizational controls which provide for segregation of duties among employees in connection with the authorization of transactions, record keeping and custody of assets, thereby ensuring that no one person is in complete control of a transaction.

During the period under examination these controls were not present with regard to the disbursement of funds. My representatives observed that:

a) Cheques may be signed by one person having access to both keys to the cheque signing machine; and

b) One of the persons who operates the cheque signing machine also performs the bank reconciliations; and

c) Control over blank cheques was not adequate.

(7) During the audit of the accounts of the Saskatchewan Hospitalization Fund it was also observed that no interest is received from the funds deposited at the bank by the Fund.

In my opinion, the failure to obtain an interest return from the bank or to invest surplus funds in short term deposits represents revenue foregone.

(8) Section 16 of The Public Service Act states that *"the pay rate for any position or class of positions in the public service shall be deemed to include remuneration for any duties occasioned by membership on a board or commission or by fulfilling the office of secretary thereof"*. During the first seven months of the Wascana Rehabilitation Centre Board's operations an employee of the Department of Health received honoraria as a Board member totalling $2,105.

In my opinion, this payment of honoraria contravenes Section 16 of The Public Service Act.

2.9 Indian and Native Affairs Secretariat

A study and evaluation of the management control systems of the Secretariat disclosed the following conditions which, in my opinion, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to the Secretariat may occur and not be detected within a timely period.

One element for management controls of public money is a system that ensures that public money disbursed to grant recipients is used for the purposes intended by the Legislature. In this regard the Lieutenant Governor in Council has authorized the disbursement of grants under the Provincial Indian Economic Development Program to Indian Bands and individuals and has specified in the Orders-in-Council certain conditions attaching to these grants. The conditions provide the mechanisms to ensure that the money is used for the purpose intended and that adequate insurance, payable to the Secretariat, is maintained on assets acquired out of the grant proceeds, until all of the conditions of the grant are discharged.

Officials of the Secretariat had not implemented an adequate system to ensure that there is documented evidence that the conditions attached to the grants by the Orders-in-Council have been adequately discharged by the grant recipients.

2.10 Department of Justice

(1) A study and evaluation of the management control systems in the Department of Justice disclosed the following conditions which, in my opinion, resulted in more than a

relatively low risk that errors or fraud in amounts that would be material in relation to the Department of Justice may occur and not be detected within a timely period:

a) An important element in any system of management controls is careful supervision by management. In larger organizations, no one manager can have direct personal knowledge of every facet of the organization. Supervisory responsibilities therefore are delegated throughout the organization. It is important, however, to retain the involvement of senior management at key spots within the management control system to detect breakdowns in the system. Where senior management is not able to personally exercise this control, for reasons such as decentralization in larger organizations, it is usual to have an internal audit function. This internal audit function reviews and tests the management control systems throughout the organization to ensure compliance with senior management's prescribed procedures and reports its findings to senior management for appropriate action.

A major portion of the revenue of the Department is collected through Land Titles', Local Registrars' and Sheriffs' offices. The revenue collected by these offices totalled approximately $18.5 million in the 1984/85 year.

During the course of the examination, it was observed that management had not established a system to monitor compliance with its prescribed procedures for the collection, recording and deposit of moneys for services provided. This weakness allows the possibility of: (i) services being provided without collection of moneys due to the Department, (ii) errors occurring either in calculation of moneys due the Department or in the recording of moneys received, and (iii) the misappropriation of moneys received, without detection on a timely basis.

This matter was also reported in my 1984 annual report.

In addition, the Department maintains an inmates' trust account at each Correctional Centre or Work Camp. Money in these trust accounts would include each inmate's personal funds and wages paid to the

inmate by the Department for services at the facility. The Department may also maintain a joint trust account at Community Training residences and a Superintendent's or Warden's Trust Account at Correctional Centres.

It is estimated that on an annual basis approximately $1.5 million flows through these trust accounts and of this amount $1.3 million is paid by the Department for inmate wages.

During the course of the examination, it was observed that management had not established a system to monitor compliance with its prescribed procedures for the operation of these trust accounts. This weakness allows the possibility that: (i) trust moneys could be misappropriated without detection on a timely basis and, (ii) essential records may not be maintained to allow the appropriate safeguarding and control of trust moneys.

b) Another important element of any system of management controls is a system that ensures that all contractual conditions are complied with before payment is made.

In this regard, my representatives observed that management did not have a system to verify that the annual statement of expenditures and revenue for Royal Canadian Mounted Police Services, submitted by the RCMP Commissioner to the Province, is prepared in accordance with the Provincial Policing Agreement dated December 14, 1981. This deficiency in the system allows the possibility of payments being made which are not in accordance with the agreement.

This matter was also reported in my 1984 annual report.

(2) During the audit of the accounts of the Public Trustee for Saskatchewan my representatives observed that the procedures established by the Public Trustee call for all assets to be properly insured as soon as possible after the trustee begins to administer an estate. One case was noted during the year where the Public Trustee took custody of an estate, including certain pieces of jewellery. According to officials of the Public Trustee, the jewellery was worth approximately $100,000.

Due to insurance requirements, a piece by piece appraisal must be made on jewellery valued in excess of $2,000, before adequate insurance can be obtained. Therefore, during the week of December 10, 1984, the jewellery was taken to a jewellery store to be appraised. The jewellery was later stolen from the store on January 6, 1985.

The Public Trustee has since been informed that the store's insurance policy would not cover this loss. The matter is currently being handled by the solicitors for the two parties, however no settlement has been reached as of August 7, 1985.

In my opinion, the Public Trustee has not taken sufficient precautions to ensure that assets entrusted to her were always in safe custody in adequately insured premises. At the present time it is uncertain what amount, if any, will be recovered through legal proceedings.

(3) During the examination of the accounts of the Department of Justice my representatives observed certain payments totalling approximately $27,000 for the Provincial Correctional Centre - Prince Albert and $5,000 for the Pine Grove Correctional Centre were made by the Department to the Supply Agency Revolving Fund and charged to the Correctional Centres' 1984-85 appropriation. However, it was determined that goods were not received by the Correctional Centres until after March 31, 1985. In my opinion, these payments were not properly vouchered or certified.

2.11 Department of Revenue and Financial Services

(1) During the examination of the Department's accounting records and the related systems of internal control my representatives observed that officials of the Department had still not complied with the 1980 recommendation of the Standing Committee on Public Accounts that the procedures used in the Department be reviewed to ensure that there is a balance between the number of detailed field audits on the one hand and the costs of the audits on the other hand so that an effective check on the assessment of taxes is in place.

(2) A review and evaluation of the management control systems established by the Comptroller to discharge his responsibilities disclosed the following conditions which, in my opinion, resulted in more than a relatively low risk that errors or

fraud in amounts that would be material may occur and not be detected within a timely period:

An important characteristic of management controls is a system of accounting controls which ensures that transactions are promptly recorded in the correct amount and period and properly classified. The general design of each system should provide for periodic balancing and reconciling routines to ensure the accuracy and reliability of the accounting records.

During the examination my representatives observed the following deficiencies in these controls:

a) During the examination, it was observed that the Consolidated Fund #1 bank account reconciliation was not being completed on a timely basis. For example, at June 6, 1985 the bank account was reconciled to May 31, 1984. Further, the March 31, 1985 bank account reconciliation was not completed until September 5, 1985. This weakness allows the possibility that errors or irregularities in bank account transactions may not be detected on a timely basis.

b) The Investment and Financial Services Division of the Department of Finance is responsible for maintaining the detail record of debt incurred by Crown agencies subject to guarantee by the Province and loans guaranteed by the Province on behalf of other agencies pursuant to various statutes. At year-end a guaranteed debt schedule is prepared by the Investment and Financial Services Division and is used by the Comptroller's office in their preparation of the Consolidated Fund financial statements.

During the examination, it was observed that an adequate system has not been established to ensure the detail record of guaranteed debt is accurate and complete. It was determined that the initial guaranteed debt schedule presented for audit was overstated by approximately $25.9 million.

When management was informed of the inaccuracy they chose to amend the financial statements for the correction.

c) There are other government bank accounts such as suspense accounts and revenue transfer accounts which are maintained by other departments and/or agencies. The Comptroller's Division year end accounting cut-off memorandum to each department and/or agency required that all revenue earned prior to March 31 must be deposited on or before April 30 to be recorded as revenue of the 1984-85 fiscal year and all such revenue must be withdrawn and deposited to the Consolidated Fund bank account by May 15, 1985.

During the examination, it was observed that a system has not been established to ensure all departments/agencies are in compliance with this policy. This weakness allows the possibility that revenue errors may occur with the result that inaccurate financial statements may be prepared.

(3) A study and evaluation of the management controls of the Public Employee's Dental Fund disclosed that the control systems did not provide reasonable assurance that the accounts of the Fund were properly kept so as to permit the preparation of accurate financial statements.

My representatives determined that in fact the financial statements presented for audit were materially misstated in that contributions receivable were understated by approximately $44,000. When informed of the errors, officials of the Department chose to adjust the records and financial statements of the Fund to reflect the correct contributions receivable amount.

In my 1984 report to the Legislative Assembly I reported that I had submitted the December 31, 1983 financial statements to Treasury Board for format approval on December 21, 1984. I also reported that at January 31, 1985, the date of my last year's report, I was awaiting a decision as to whether or not these financial statements were the final financial statements to be tabled in the Legislative Assembly.

My auditor's report on the 1983 financial statements has now been issued and pursuant to section 12 of The Provincial Auditor Act, which requires details of any reservation of opinion made in an audit report to be provided in my annual report, I report that my 1983 report on the financial statements reads as follows:

"I have examined the statement of financial position of the Public Employees Dental Fund as at December 31, 1983 and the statement of revenue, expenses and fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances, except as explained in the following paragraph.

No documents supporting claim payments were retained and I was unable to confirm or verify these payments by alternative means. As a result, I was unable to satisfy myself that claim expenses were properly supported by valid claim forms.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself with respect to the claim expenses as described in the preceding paragraph, these financial statements present fairly the financial position of the Fund as at December 31, 1983 and the results of its operations for the year then ended in accordance with the disclosed basis of accounting."

(4) A study and evaluation of the management controls of the Public Employees' Group Life Insurance Fund disclosed the following conditions which, in my opinion, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to the Fund may occur and not be detected within a timely period:

a) The management control systems established by management to ensure an accurate liability is recorded for death claims were not adequate.

My representatives conducted additional tests and procedures to determine whether the liability established by management and reported in the financial statements presented to my representatives for audit was accurate. The additional tests disclosed that the liability recorded by management was understated by $210,167.

When management was informed of the inaccuracy they chose to record the correct amount in their records and also amended the financial statements for the correction.

b) There were no management control systems in place to ensure that the investments purchased were in accordance with the statutory provisions for the investment of surplus funds.

The current agreement with the administering life insurance company for the investing of funds not immediately required on behalf of the Agency, does not specify that investments are to be made only if they are in accordance with Section 27(1) of The Department of Finance Act, 1983 nor did the Agency have any procedures in place during the year to ensure that investments purchased complied with that Act.

This matter was also reported in my 1984 annual report.

(5) In my 1984 annual report to the Legislative Assembly I reported that the management control systems for the administration of the Public Employees Group Life Insurance Fund allowed the possibility of unauthorized payments.

During the audit of the accounts of the Public Employees Group Life Insurance Fund for the 1984 fiscal year my representatives observed that the Public Employees Benefits Agency's post audit of claims paid in 1983 and 1984 determined that overpayments totalled $29,000 in 1983 and $12,000 in 1984.

(6) A study and evaluation of the management controls of the Public Employees' Disability Income Fund disclosed the following condition which, in my opinion, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to the Fund may occur and not be detected within a timely period.

There was no management control system to ensure that investments purchased were in accordance with the statutory provisions for the investment of surplus funds.

The current agreement with the administering life insurance company for the investing of funds not immediately required on behalf of the Agency, does not specify the investments are to be made only if they are in accordance with Section 27(1) of The Department of Finance Act, 1983 nor did the Agency have any procedures in place during the year to ensure that investments purchased complied with that Act.

This matter was also reported in my 1984 annual report.

(7) A study and evaluation of the management control systems for the administration of the Public Employees (Government Contributory) Superannuation Fund disclosed the following condition which, in my opinion, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to the Fund may occur and not be detected within a timely period.

There was no management control system in place to ensure that investments purchased are in compliance with statutory provisions governing the investment of surplus funds.

Section 45 of The Superannuation (Supplementary Provisions) Act specifies the legislative requirements for investment transactions of the Fund and assigns this responsibility to the Supervisory Board for the Fund. At present, the investment transactions of the Board are made through the Investment and Financial Services Division, Department of Finance. There is no written agreement with Investment and Financial Services Division describing the delegation of authority for investments. Such an agreement could provide a basis for assurance that the legislative provisions of Section 45 are met.

(8) During the audit of the accounts of the Members of the Legislative Assembly Superannuation Fund, my representatives observed that Section 26.1 of The Members of The Legislative Assembly Superannuation Act 1979 states:

> *"Where a person who was a member and:*
>
> *a) is entitled to or in receipt of a supplementary monthly allowance pursuant to section 25, 25.1 or 26; or*
>
> *b) was entitled to a supplementary monthly allowance pursuant to section 25, 25.1 or 26 that has been discontinued under section 37.1;*
>
> *dies leaving a spouse, 60% of the supplementary monthly allowances that he was receiving or that he was or would have been entitled to pursuant to sections 25, 25.1 and 26 shall be paid to his spouse for life."*

When a member who has been receiving the annual allowance and the supplementary allowance dies officials have been calculating the pension to a spouse at the 60% rate of both the annual (section 19) and the supplementary allowance (section 26.1). In each of the years following the death of the member officials have been granting the new annual supplementary allowances to the spouse as provided by section 25, 25.1 and 26 and no reduction to 60% has been made.

It is my view that the 60% rule contained in section 26.1 would apply to the supplementary allowances granted to the deceased member's spouse subsequent to the date of death of the member as well as before his death. Consequently, the failure to reduce all supplementary allowances to spouses subsequent to the date of death to 60% means that all new supplementary allowances granted subsequent to the date of death of a member exceed the amounts that would be permitted under the current legislation.

2.12 **Department of Social Services**

(1) A study and evaluation of the management control systems for the Department of Social Services disclosed the following conditions which, in my opinion, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to the Department may occur and not be detected within a timely period.

a) Officials of the Department had not complied with their established procedures to ensure that each recipient of assistance files an annual personal declaration of circumstances. This declaration is intended to ensure that the individual is still eligible and also can affect the amount of assistance to which the individual may be entitled as required by the Saskatchewan Assistance Regulations.

Failure to obtain annual declarations may result in incorrect payments to recipients without ready detection.

My representatives observed that approximately 2,800 recipients had not filed this declaration at March 31, 1985.

b) Officials of the Department had not implemented adequate collection procedures to recover overpayments of assistance with the result that all public money due to the Crown may not have been collected.

The balance of overpayments as at March 31, 1985 was approximately $10 million. Officials of the Department have categorized approximately $6 million as inactive. During the period under review, the amount of recoveries of overpayments related to those cases categorized by officials of the Department as inactive was less than $50,000.

c) Recipients of social assistance receive benefits based upon the recipient's personal declaration of circumstances.

The eligibility of recipients receiving benefits is not adequately checked by officials of the Department before benefits are paid.

Officials of the Department have established procedures to verify eligibility of recipients after benefits have been paid. The system provides for a post eligibility audit for a sample of individuals receiving benefits to ensure that overpayments remain within acceptable limits.

Officials of the Department were questioned on their post eligibility audit during a public hearing by the Standing Committee on Public Accounts on April 5, 1984. The officials of the Department informed the Committee that they had established a target error rate for overpayments of 4%.

Officials of the Department have not conducted sufficient post eligibility audits, nor have officials tabulated the results of the post eligibility audits which were conducted in a manner conducive to the calculation of an actual error rate.

Accordingly, officials of the Department are not able to determine whether the level of overpayments is at their stated acceptable level of 4%.

d) Officials in the regional offices do not conduct adequate follow-up of recipient files.

A review of recipient files by my representatives and officials assigned to the Department's verification unit observed instances where officials in the regional offices had not followed up apparent inconsistent information on recipient files.

Failure to follow-up this inconsistent information may result in incorrect payments to recipients.

e) The management control systems put in place to establish that recipients of assistance under the Saskatchewan Income Plan - Senior Citizens Benefits - Special Care Facilities program established July 1, 1984, which program provides $25 per month for eligible seniors, was not adequate to ensure that only eligible seniors received benefits under the program.

The accuracy of the determination of eligibility for a senior is dependent on:

(1) the accuracy and timeliness of information submitted by officials of special care facilities,

(2) the availability of a Federal Old Age Security/Guaranteed Income Supplement identification number on the census information maintained by the Department of Health,

(3) the accuracy of the match of the information obtained above.

Officials of the Department have conducted a review of some recipient files and determined that significant overpayments are occurring. As at March 31, 1985, nine months after the inception of the program, from their review of these files, officials of the Department had determined that approximately $15,000 in overpayments had been made to date on those files.

(2) During the audit my representatives were informed by officials of the Department that there were one hundred and forty-nine cases involving overpayments referred to the police for fraud investigation in 1984/85. Also, in 1984/85 the Department had ninety-seven cases charged and put forward for prosecution. The amount of Saskatchewan Assistance Plan payments involved in the cases put forward for prosecution amounted to $713,459.

2.13 Department of Supply and Services

(1) A study and evaluation of the management control systems of the Supply Agency Revolving Fund disclosed the following conditions which, in my opinion, resulted in more than a relatively low risk that errors or fraud in amounts which would be material in relation to the Supply Agency Revolving Fund may occur and not be detected within a timely period:

a) Officials responsible for the operation of the Supply Agency Revolving Fund had not established adequate management control systems to permit the preparation of accurate financial statements.

If inaccurate financial statements are used for decision making, incorrect decisions may be taken which may result in losses for the Revolving Fund.

My representatives observed the following deficiencies in the systems necessary to produce accurate financial statements:

1) There were no established procedures or policies for the valuation of obsolete inventory items.

2) There were inadequate procedures to ensure that all required price changes to the inventory were reflected in the records.

3) Inconsistent valuation methods were used to value the inventories. Inventory in the Northern office was valued using the average cost method while inventory in the Southern office was valued using the first in first out method.

4) There were inadequate procedures to determine that all liabilities were recorded in the accounts for goods and services received.

(2) A study and evaluation of the management control systems of the Office Services Revolving Fund disclosed the following conditions which, in my opinion, resulted in more than a relatively low risk that errors or fraud in amounts which would be material in relation to the Office Services Revolving Fund may occur and not be detected within a timely period.

a) My representatives observed there was an absence of procedures to ensure the accurate determination of the cost of mapping services. The result of this absence of procedures is the inability to produce accurate financial statements and the possibility that the recovery of costs may not be from the appropriate participant.

There was also an inadequate procedure to determine the accuracy of the revenue for photocopying services in an accounting period as revenue was not matched against recorded expense before the preparation of financial statements.

If inaccurate financial statements are used for decision making, incorrect decisions may be taken which could result in losses for the Revolving Fund

As a result of this deficiency in procedures my representatives conducted additional audit procedures to verify the accuracy of the value of the unbilled mapping services and photocopying revenue determined by management at March 31, 1985 for the purposes of management's preparation of the annual financial statements. My representatives determined that the value of the unbilled mapping services included in the year-end financial statements presented to my representatives for audit was materially misstated. When informed of the error management chose to record the correct amount for unbilled mapping services and adjusted the accounts and revised the annual financial statements accordingly.

b) There were inadequate procedures to ensure an effective check on printing and photo reproduction revenue due to the Revolving Fund.

The audit tests conducted disclosed that officials had not charged customers at the rates approved by Treasury Board for printing and photo reproduction.

Accordingly, the difference between what was charged for these services and what should have been charged represents revenue not collected and, therefore, not paid into the appropriate fund.

2.14 Department of Tourism and Small Business

During the audit of accounts of the Department, my representatives observed the following:

(1) On the understanding that a purchase agreement would be concluded whereby the sawmills operated by the Department of Tourism and Small Business (Tourism) would be sold to Northern Forest Operations Ltd. (NorFor), a subsidiary of Saskatchewan Forest Products Corporation (S.F.P.), the Minister of Tourism and the Chairman of S.F.P. signed a memorandum of agreement dated April 11, 1984. This memorandum confirmed that S.F.P., as the future purchaser of the mills, had assumed and would continue to assume all operating responsibilities for these mills until ownership was transferred. Pending execution of the sale documents, Tourism was to process revenues and expenditures at S.F.P.'s direction, and maintain accounting records of these transactions through the Northern Saskatchewan Economic Development Revolving Fund.

During 1984, NorFor opened a bank account and began processing Revolving Fund receipts and payments through that account rather than through Tourism. By November 1, 1984, all transactions concerning these mills were recorded in NorFor's books; none were processed by Tourism. This treatment is contrary to that specified in the memorandum of agreement. Furthermore, since the assets and operations remain in the Revolving Fund, the operations are subject to Treasury Board policies. Treasury Board policies have been contravened in this instance by the processing of Revolving Fund receipts and payments through NorFor's bank account rather than through the Consolidated Fund.

(2) Saskatchewan Forest Products Corporation has charged the Department a fee for the administration of the sawmills equal to 5% of sales. As the agreement did not authorize a fee, this amount, in my opinion, was without authority.

The amount charged was recovered from Saskatchewan Forest Products Corporation when my representatives informed officials of the Department of this problem.

(3) A study and evaluation of the management control systems of the Forestry Division of the Northern Saskatchewan Economic Development Revolving Fund disclosed the following conditions which, in my opinion, resulted in more

than a relatively low risk that errors or fraud in amounts that would be material in relation to the operations of the Revolving Fund may occur and not be detected within a timely period:

a) There was no adequate system of reporting financial operating results.

Monthly income and cost statements were not prepared. The general ledger was analyzed and reconciled only at financial statement dates and inventories were only counted annually and were not valued at the lower of cost or market.

The risk of material losses through error or fraud increases if adequate financial information is not available to enable management to evaluate results of operations. Inefficiencies, errors and defalcations may remain undetected in the absence of financial information.

b) There was no formal method of communicating delegation of authority and responsibility and there was inadequate supervision of office staff.

There was no policy or procedures manuals and no formal method of delegating responsibility. Reconciliations, analysis and other matters outside the normal duties of staff were left undone.

As a result of this situation, accounts were unreconciled and amounts were recorded in the wrong accounts. This situation was left unchecked until the financial statement preparation date arrived, at which time, an independent accountant was contracted to analyze and adjust the records.

c) There was no comparison made of logs cut with lumber sawn, planed and sold.

An important control over sawmill operations is to compare the footages of logs put into production with lumber produced and lumber put into the planer with planed lumber produced. Such a comparison enables the calculation of "over-runs and under-runs", which should be compared with pre-established estimates for each process in each mill. Lumber produced should

be reconciled to lumber sold, or in inventory, to determine shortages in the yard calculations.

If such comparisons are not performed, there could be excessive shortages of lumber which remain undetected. These might be caused by theft, sales not being charged to customers, sawing problems, poor quality logs, etc.

d) There was an inadequate segregation of duties over disbursements.

The accounts payable clerk prepared invoices for payment. The invoices were approved for payment, cheques were prepared and the cheques and invoices were sent to the accounts payable clerk for mailing to suppliers. Suppliers' invoices were not cancelled when paid.

The non-cancellation of supplier invoices and the return of cheques to the person originating their preparation could allow payments to be diverted.

Mill managers and payroll clerks were involved in adding new employees to the payroll; the mill manager through hiring and time report approval and the payroll clerks through preparing and keeping records concerning new employees.

The return of cheques to these people for distribution allows the opportunity for payments to be diverted.

e) There were inadequate systems of checking to ensure the completeness and accuracy of transactions in the following instances:

i) There was no check to ensure that customers were billed for all shipments.

An important control to ensure that billings are complete is to ensure that every delivery slip, showing goods shipped, leads to the preparation of a sales invoice. During the year delivery slips were not compared with sales invoices to ensure that revenue was recorded for all movements.

Movements not billed would result in lost revenue.

ii) There was no checking of sales prices to determine whether the correct price was charged.

Wholesale lumber sales were all transacted by Saskatchewan Forest Products Corporation on behalf of the Department. Department employees received copies of S.F.P. invoices showing prices and other terms. However, they were unable to determine whether prices received were reasonable.

It is possible that the Department was not receiving adequate prices for lumber sold.

iii) Charges by Saskatchewan Forest Products Corporation for mill payrolls and other expenses were not reviewed by Department employees.

Saskatchewan Forest Products Corporation prepared the payroll for the Green Lake sawmill and Meadow Lake planer mill, charged the Department for the gross payroll and fringe benefits. Also charged were various invoices paid by the Corporation on behalf of the Department. Details of the invoices charged were not provided to the Department's staff to enable them to determine whether there were any amounts incorrectly charged. Payroll details were provided but were not regularly reviewed by the Department's staff.

Accordingly, it was possible that expenses were incorrectly charged to the Revolving Fund.

2.15 Department of Urban Affairs

At the date of this report I have completed my examination of the financial statements of the Northern Revenue Sharing Trust Account for the year ended December 31, 1984, which were submitted to me for audit examination by management. These financial statements, however, have not received format approval as required by Treasury Board and accordingly I have not issued my auditors report thereon.

Accordingly, should my report on the 1984 financial statements contain a reservation of opinion, I will provide details of any reservation in my 1986 annual report.

2.16 Milk Control Board

A study and evaluation of the management control systems of the Board disclosed the following conditions which, in my opinion, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to the Board may occur and not be detected within a timely period:

(1) The Milk Control Board collects penalty levies from producers who ship milk that is in excess of their total production quota. At the end of the dairy year which runs from August 1 - July 31, the Milk Control Board remits Saskatchewan's share of over quota penalty levies to the Canadian Dairy Commission. Excess penalty levies are refunded to producers who have paid over quota penalty levies. My examination revealed that the procedures for the disbursements of these refunds was not sufficient to ensure accurate refunds to producers.

My representatives conducted additional audit procedures as a result of this deficiency in procedures. From these additional procedures consisting of a sample of refunds, my representatives observed that inaccurate payments had been made to producers. My representatives observed $8,883 of overpayments to producers.

(2) The Milk Control Board entered into a special banking agreement with the Canadian Imperial Bank of Commerce in September, 1984. This agreement allows the Milk Control Board to retain its excess funds in its regular bank account which will earn a special rate of interest. The Milk Control Board viewed this as a favourable alternative to investing in short-term securities. The agreement specified that interest earned on the Milk Control Board's regular account would be credited to the account monthly. My examination revealed that the procedures used at the Milk Control Board are not sufficient to ensure that public monies are collected and fully accounted for since no interest had been credited to the Milk Control Board's regular bank account to December 31, 1984.

2.17 Municipal Employees Superannuation Commission

(1) In my 1984 annual report I reported that officials of the Municipal Employees Superannuation Commission had not implemented appropriate systems nor maintained appropriate accounting records for The Municipal Employees Superannuation Fund to determine the financial position and results of its annuity underwriting activities and the results of paying allowances under the new plan.

In the absence of such systems and accounting records officials of the Commission do not have sufficient information to prepare financial statements in accordance with appropriate accounting principles.

I also reported in my 1984 annual report that as a result appropriate financial statements had not been prepared for the year ended December 31, 1983, and that I had been provided with revised financial statements to examine.

I completed the examination of the revised financial statements and was unable to form an opinion on the accuracy of these financial statements due to the lack of essential records. On March 8, 1985, at the request of the Commission, I submitted these revised financial statements for the year ended December 31, 1983 to the Comptroller, Department of Revenue and Financial Services, for format approval.

On May 29, 1985, in a public hearing, the Standing Committee on Public Accounts heard testimony from the Commission regarding the financial reporting problems of the Commission.

The Committee made the following motion:

> *"That the Public Accounts Committee recommend to the Municipal Employees Superannuation Fund that the fund shall report its activities to show the financial position of the former Plan, the financial position and results of its annuity underwriting activity, and the financial position and results of operations under the new plan including a comparison of new plan assets to obligations to pay allowances to new plan members and for the Municipal Employees Superannuation Fund to report back to the Public Accounts Committee as soon as possible."*

On December 5, 1985, I received a memorandum from the Comptroller, Department of Revenue and Financial Services, approving the original financial statements of the Municipal Employees Superannuation Commission for the year ended December 31, 1983. These statements were examined by me in early 1984 and were sent to the Comptroller, Department of Revenue and Financial Services on June 14, 1984 for format approval. I formed my opinion on these statements on March 23, 1984 and remain of the opinion that these financial statements do not present fairly the financial position of The Municipal Employees Superannuation Fund as at December 31, 1983 and the results of its operations for the year then ended in accordance with an appropriate basis of accounting. Accordingly, my auditor's report on these financial statements reads as follows:

"I have examined the balance sheet of The Municipal Employees Superannuation Fund as at December 31, 1983 and the statements of members' accumulated balances (former plan), members' accumulated balances (new plan) and unallocated fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances, except as explained in the following paragraph.

The Municipal Employees Superannuation Act was amended during the current year. In my opinion, the result of this amendment was to significantly alter the Fund's reporting requirements. However, the Commission did not maintain adequate records to report with these changed circumstances. As a result, the Commission's records are not adequate to determine the financial position and results of its annuity underwriting activity and the financial position and results of operations under the new plan. As a consequence, I have been unable to examine these segments of the Fund's operations.

Pursuant to Section 43(b) of The Municipal Employees Superannuation Act, the Commission underwrites for its former plan members. The Commission has not determined and disclosed the revenues, expenses and retained earnings related to its underwriting activities nor has it determined and disclosed the liability for future annuity payments to the present annuitants. Also, the Commission has not determined and disclosed the operations and fund balance related to the new plan. In my opinion, these

disclosures are required in the financial statements. Since the Commission's records are not adequate to determine the financial position and results of the annuity underwriting activity and the financial position and results of operations under the new plan, I am unable to determine the required adjustments to these financial statements.

In my opinion, because the financial position and results of the annuity underwriting activity, and the financial position and results of operations of the new plan have not been disclosed as described in the preceding paragraph, these financial statements do not present fairly the financial position of the Fund as at December 31, 1983 and the results of its operations for the year then ended in accordance with an appropriate basis of accounting."

(2) During the course of the audit of the accounts of the Commission for the 1984 year which audit is still not complete at the date of this report, my representatives observed the following:

a) Section 62(1)(e) of The Municipal Employees Superannuation Act states that the Commission shall, on or before April 1 in each year, submit to the minister the audited financial statements for the preceding year. My representatives noted that audited financial statements for the year ended December 31, 1984 have not been submitted to the minister as at the date of this report. In my opinion, the Commission has not complied with the provisions of the Act.

b) The Commission manages two pension plans under The Municipal Employees Superannuation Act, the former plan, a money purchase plan and the new plan, a defined benefit based plan. The Commission calculates the pension for a member retiring under the new plan in accordance with Section 22 of The Municipal Employees Superannuation Act. The Commission then calculates an additional annuity under Section 20(4) of The Municipal Employees Superannuation Act. In my opinion Section 20(4) of The Municipal Employees Superannuation Act does not provide authority to pay an additional annuity to the members retiring at normal retirement age and therefore pension payments which include additional annuities are payments without authority.

Section 22(2) of The Municipal Employees Superannuation Act places certain restrictions on the amount of an allowance paid to a retiring member. During the course of the examination, my representatives observed that the Commission is not applying the restrictions as set out in Section 22(2) of the Act to the additional annuities paid to superannuates under Section 20(4) of the Act.

c) Section 18(4.1) of The Municipal Employees Superannuation Act states that interest shall be calculated on all late contribution payments received 30 days after the due date. My representatives observed instances where contributions were not received within 30 days after the due date and no interest was assessed. In my opinion, the Commission's practice in this regard is not in compliance with the provisions of The Municipal Employees Superannuation Act.

(3) As at the date of this report I have not completed my examination of the accounts of the Commission for the year ended December 31, 1984 as officials of the Commission have not as yet provided me with financial statements for the year ended December 31, 1984.

Accordingly, should it be necessary to express a reservation in my auditor's report on the 1984 financial statements, I will be unable to comply with Section 12 of The Provincial Auditor Act which requires me to include in my annual report details of any reservation of opinion in an audit report.

2.18 Saskatchewan Alcoholism and Drug Abuse Commission

During the audit of the accounts of the Commission, my representatives observed the following:

(1) The Commission made a grant in the amount of $94,000 to a Centre under documented terms and conditions formally agreed to by both parties.

The procedures established by the Commission to monitor this grant revealed that with reference to the aforementioned grant, the external auditor for the centre was unable to express an opinion on its financial statements for the year ending March 31, 1984 due to the lack of a proper system of internal control and inadequate bookkeeping procedures.

This weakness, according to the external auditor, resulted in missing source documents for expenditures and expenditures not being properly approved.

For this reason the Commission is unable to determine if all expenditures were made in accordance with the terms of the agreement. Therefore, I am unable to ascertain if this grant was applied to the purpose authorized.

(2) In addition, my representatives observed that the Chairman of the Commission had been paid at a per diem rate in excess of that authorized by the Lieutenant Governor in Council due to confusion as to which order of the Lieutenant Governor in Council was in effect. The amount of the overpayment to the Chairman was determined by my representatives to be $31,320

2.19 Saskatchewan Arts Board

During the examination of the accounts of the Saskatchewan Arts Board my representatives observed the following:

(1) Section 15(1) of The Arts Board Act reads:

"There shall be a fund to be known as The Saskatchewan Arts Board Fund to which shall be credited all moneys appropriated by the Legislature for the purposes of this Act..."

The 1984-85 and 1983-84 expenditure estimates for the Department of Culture and Recreation includes as Vote 7 sub-vote 9 an amount of $2,153,200 as a grant to the Saskatchewan Arts Board. During both these years an amount of $2,110,200 was paid and credited to the Saskatchewan Arts Board Fund rather than the amount appropriated for the purpose.

In my opinion, all moneys appropriated by the Legislature were not credited to the appropriate Fund. In addition, in my opinion, the appropriation was not applied in the manner authorized by the Legislature.

(2) The Saskatchewan Arts Board has set student fee levels for the Summer School of the Arts and collected fees amounting to $198,921 for the year under review. There appears to be no specific authority under the governing legislation to assess and collect these fees.

2.20 Saskatchewan Beef Stabilization Board

(1) A study and evaluation of the management control systems for the Saskatchewan Agricultural Returns Stabilization Fund (Cow Calf to Finish and Feeder Finish Market Insurance Plans) disclosed the following condition which, in my opinion, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to the fund may occur and not be detected within a timely period:

The regulations under the Cow/Calf and Feeder/Finish Insurance Plans gives the Board the responsibility for collecting levies on animals that are marketed outside the Board. The Board has not established a system to ensure that all such marketings are recognized and the appropriate revenue is recorded in the accounts of the Stabilization Fund.

The Board has developed a procedure whereby with the use of a computer program, a comparison is made between animals enrolled and animals marketed through the Board. The difference so calculated will be invoiced to each producer. The producer will either pay the invoice or declare that he has not sold animals outside the Board and the invoice will then become null and void. After the Board receives a reply from the producer the Board intends to develop a system to ensure that the producer has correctly responded to the invoice. This may be by field visits or other means.

As at the conclusion of the audit on June 3, 1985, the Board had not yet mailed out the invoices for the year ended March 31, 1984. The differences as calculated by the computer program totalled approximately $980,000. As well, the Board had not yet determined the approximate revenue for the year ended March 31, 1985.

See also section 2.4(5) of this report regarding my reservation of opinion on the financial statements of the Saskatchewan Agricultural Returns Stabilization Fund for the year ended March 31, 1985.

(2) In addition, during the examination of the accounts, my representatives observed the following payments without authority out of the Saskatchewan Agricultural Returns Stabilization Fund (Cow Calf to Finish and Feeder Finish Market Insurance Plans):

The regulations establishing these plans state:

"A participant may withdraw from the plan, with the board's permission, if he pays to the board all of the payments that he has received under the plan with interest less any levies deducted."

The Board's interpretation of these regulations was that if a producer had paid levies in excess of amounts that he had received in stabilization payments, he could withdraw from the plan and receive a refund from the stabilization fund of the excess amount of his contributions.

Based on this interpretation, the Board refunded $24,648 under the Cow/Calf program and $32,393 under the Feeder/Finish program during the year ended March 31, 1985.

According to an interpretation I have received from my legal counsel, the Board's interpretation was not correct and therefore, in my opinion, these payments were made without statutory authority.

2.21 Saskatchewan Centre of the Arts

During the audit of the accounts of the Saskatchewan Centre of the Arts my representatives observed that officials of the Centre had established a line of credit with a bank without the required approval of the Minister of Finance as required by Section 41 of The Department of Finance Act, 1983.

2.22 Saskatchewan Crop Insurance Corporation

During the examination of the accounts of the Corporation my representatives observed the following:

Section 34 of The Saskatchewan Crop Insurance Regulations states in part:

"In the event of a disagreement as to the amount payable to the Insured as a result of loss or damage..., such amount shall, when so required by either party, be ascertained by an appraisal which shall be conducted as follows:

1) the party desiring appraisal shall...deliver or cause to be delivered by registered mail or personal service to the other party a notice in writing requiring an appraisal to be made..."

My representatives noted an instance where an amendment was made to the post-harvest inspection report. The original appraised yield was adjusted downward to zero resulting in an additional indemnity payment of $3,758. However, it was noted that there was:

- no written evidence of disagreement by the insured to the original appraised amount,
- no written request from the insured requiring another appraisal, and
- no documentation of another appraisal or second inspection supporting the amended appraised yield.

In my opinion, the amount of indemnity payable was not ascertained in accordance with the provisions of The Saskatchewan Crop Insurance Regulations and therefore, the additional indemnity payment of $3,758 was not properly vouchered or certified.

2.23 Saskatchewan Forest Products Corporation

The study and evaluation of the management control systems of the Corporation disclosed the following conditions which, in my opinion, resulted in more than a relatively low risk that errors or fraud in amounts which could be material to Saskatchewan Forest Products Corporation may occur and not be detected in a timely period:

(1) The policy and procedure manuals were incomplete and not current and there was no formal method of documenting changes to policies, procedures or delegation of authority.

Lack of documentation of policies and procedures increases the risk of breakdowns in the systems of internal control with the result that the risk to the Corporation of losses due to fraud or error is increased.

This matter was also reported in my 1984 annual report.

(2) The rules and procedures applied were not adequate to prevent or detect unauthorized data from being entered into the accounting records of the Corporation.

The controls were insufficient or missing to ensure that:

a) on-line terminal use was restricted to authorized persons,

b) access to the computer room, disk files and program documentation was restricted, and

c) only authorized jobs or programs could be run.

This situation may lead to incorrect or unauthorized information being processed allowing the company's systems of management controls to be circumvented. The processing of incorrect or unauthorized information greatly increases the risk that a material error or fraud may occur.

2.24 **Saskatchewan Housing Corporation**

(1) A study and evaluation of the management control systems of the Corporation disclosed the following conditions which, in my opinion, resulted in more than a relatively low risk that errors or fraud that would be material in relation to the Corporation may occur and not be detected within a timely period:

a) The established procedures were not adequate to ensure that all required approvals were on file prior to commencing construction on rural housing projects.

My representatives observed that there was no evidence that the Board of Directors had provided their required approval to two projects. Accordingly, the payments of $464,260 on these projects were made without evidence of adequate authority.

b) Saskatchewan Housing Corporation provides grants to senior citizens to assist them in making repairs to their homes. The procedures for making these grants are not adequate to ensure that grants are made only to eligible recipients.

The Senior Citizens Home Repair Assistance Regulations set out an income test for a person to qualify for a grant. An applicant is granted assistance based upon the personal declaration of income by the applicant. Officials of the Corporation do not perform any verification of the income declared by the applicant to determine the accuracy of the declared amount.

(2) In previous annual reports I have expressed the concern that regulations were not maintained in a current condition and that corporate officials proposed the repeal of the majority of the regulations governing existing programs without substituting therefor revised regulations. I expressed the view that, by virtue of the regulation making process provided for in sections 14, 15 and 16 of The Saskatchewan Housing Corporation Act, the Legislature intended the Executive Council to exercise control over the eligibility criteria governing the grant and subsidy programs administered by the Corporation, appropriations for which totalled $24 million in the 1984-85 year.

In response, the President of the Corporation referred to the powers of cabinet under sections 14, 15 and 16 of The Saskatchewan Housing Corporation Act as providing for discretionary rather than mandatory formulation of regulations. It was also noted that to receive funding for new programs, the Minister, Treasury Board and Cabinet must approve the new program.

I reiterate that, if a uniform practice of issuing regulations for new programs and for changes in program criteria is not in force, it would be possible for the Corporation to implement changes in program criteria without cabinet approval. Further, if regulations are not issued, the Special Committee on Regulations of the Legislative Assembly will not be afforded the opportunity to examine the specific program criteria to ensure its conformity with the objects and powers of the Corporation.

At December 31, 1984, I am not aware of regulations being issued governing the following programs, following the repeal of regulations under Order-in-Council #1238/84:

a) Co-operative Housing
b) Farm Housing
c) Handicap Home Modification
d) Build-a-Home
e) Sask. Family Home Purchase

(3) Further to the subject of legislative accountability, I previously reported in my annual reports that, in my opinion, appropriate information is not provided to the Legislative Assembly unless the operating grants to be voted to the Corporation reflect the Corporation's true operating requirements and I continued to recommend that the

intentions of the Legislature be clarified through a review of the provisions of section 36 of The Saskatchewan Housing Corporation Act. A recent Order-in-Council indicates the government intends to fund the net administration costs of the Corporation through the funding provisions of Section 36 but the direction of the government as to the use to be made of funds generated by the Corporation's capital financing activities has not been clarified.

If clear legislative direction is not provided, the Corporation will be permitted to fund other activities which have not been specifically voted upon, but are made possible due to capital financing revenues not taken into account in determining the Corporation's operating requirements. For instance, losses in the non-profit housing and land segments for the last several years have been charged against the Corporation's excess revenues and have not been recovered through appropriations sought from the Legislature.

In response to my previous comments, it was indicated by management that the Board of Directors approves all major charges being made against the Corporation's surpluses. It was also indicated that, if considered appropriate by the Board or the Chairman of the Board, some of these items may be forwarded to Cabinet for consideration.

In my view, the scrutiny and control exercised by the Legislative Assembly over Corporation expenditures should be a matter for that body to determine and should not be determined by the Corporation. For this reason, I continue to recommend that the Legislative Assembly review the provisions of Section 36 with a view to clarifying the accountability of the Corporation for its capital financing revenues.

This matter was discussed by the Standing Committee on Public Accounts during a public hearing on May 23, 1985 when officials of the Corporation appeared before the Committee. The Committee heard testimony from representatives of my office and officials of the Corporation. The Committee has not as yet made a recommendation to the Legislative Assembly on this matter.

2.25 Saskatchewan Pork Producers Marketing Board

Officials of the Board are responsible to administer the Saskatchewan Hog Assured Returns Program pursuant to the Saskatchewan Hog Assured Returns Program Regulations, 1983.

A study and evaluation of the management control systems for this program disclosed the following conditions which, in my opinion, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to the Sasktchewan Hog Assured Returns Program may occur and not be detected within a timely period:

(1) There was an inadequate segregation of duties to ensure that no one person is responsible for the authorization of a transactions, the recording of the transaction and the custody of the asset.

At the time of the examination one person was assigned the incompatible functions of custody of a signature plate, custody of blank cheques, preparation of financial statements and preparation of bank reconciliations which are not independently approved. As a result, unauthorized payments could occur and not be detected in a timely period.

This matter was also reported in my 1984 annual report.

(2) There were no documented policy and procedure manuals.

Lack of documentation of policies and procedures increases the risks of breakdowns in the systems of internal control with the result that the risk of errors or fraud is increased.

The lack of established routines contributed to management preparing inaccurate financial statements for the year ended March 31, 1985. The financial statements presented to my representatives for audit were materially misstated. When advised of the misstatement, management chose to correct the records and revise the financial statements for the program.

2.26 Saskatchewan Power Corporation

(1) During the audit of the accounts of the Corporation my representatives observed that a payment of $3.1 million was made in error to a supplier. Corporation officials subsequently discovered the error and recovered the $3.1 million. In my opinion, this payment was not properly vouchered or certified.

(2) A study and evaluation of the management control systems of the Power Corporation Superannuation Fund disclosed the following condition which, in my opinion, resulted in a more than relatively low risk that errors or fraud which would be material in relation to the Fund may occur and not be detected within a timely period:

Management has not implemented procedures to segregate the functions of custody of assets and the recording of transactions.

Presently the same person handles receipts and is responsible for the subsequent recording of these receipts. In addition, the bank account is reconciled only once a year and no financial statements are prepared and reviewed by management except at year end.

This deficiency could result in a misappropriation of assets without timely detection.

2.27 **Saskatchewan Research Council**

(1) A study and evaluation of the management control systems of The Saskatchewan Research Council disclosed the following conditions which, in my opinion, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to the Council may occur and not be detected within a timely period:

a) Officials of the Council had not implemented appropriate procedures to segregate the functions of custody of assets and recording of transactions.

My representatives observed that the same person handles receipts, prepares and makes the deposit to the bank and maintains the accounts receivable records. In addition, there was no independent check of cash received to the final deposit or the accounting records.

As a result, the possibility exists that funds may be misappropriated without ready detection. Concealment of a misappropriation is further facilitated because not all journal entries are approved by a senior official.

This matter was also reported in my 1984 annual report.

b) Officials had not implemented appropriate procedures to ensure that accurate financial statements are prepared and submitted for tabling in the Legislative Assembly.

The accounting records and supporting schedules presented to my representatives for audit were materially misstated. When officials of the Council were informed of the misstatements they chose to record the corrected amounts in the records and in the financial statements to be tabled in the Legislative Assembly.

(2) During the audit of the accounts of the Council my representatives also observed the following:

a) During 1984/85, $4,506,300 was appropriated for The Saskatchewan Research Council but only $4,431,300 was paid over and deposited to the credit of The Saskatchewan Research Council. As Section 15(1) of The Research Council Act requires all moneys appropriated for the purposes of this Act to be credited to The Saskatchewan Research Council Fund, the amount of $75,000 was not duly accounted for and paid into the appropriate fund.

b) Pursuant to Section 41 of The Department of Finance Act, 1983, the Minister of Finance has authorized The Saskatchewan Research Council to establish a line of credit in an amount up to 75% of accounts receivable (not including grants from the Consolidated Fund) to a maximum of $1.2 million ($500,000 before January 2, 1985). During the course of the audit, it was observed that the maximum was exceeded on April 30, 1984, when the balance of the bank overdraft was $703,409. As a result, the Council incurred debt beyond its authority.

c) Section 11 of The Research Council Act describes the powers of the Council. This section states, in part:

"11. Subject to such regulations as the Lieutenant Governor in Council may prescribe, the council may:

e) carry on research, development, consultation, design, innovation, investigations and studies for other persons or bodies upon such terms and

conditions, including remuneration for its services, as may be decided upon by the council and approved by the Lieutenant Governor in Council;..."

In 1984, it was suggested to management of the Council that, since a significant portion of its activity could be construed as falling within the criteria described in subsection 11(e), there should be a clear understanding of the circumstances in which such approval would be required. Accordingly, it was recommended that a legal interpretation of this clause be obtained by the Council in this regard. A legal opinion subsequently obtained by the Council confirmed that the terms and conditions concerning services provided for other parties must be approved by the Lieutenant Governor in Council.

Because approval of the Lieutenant Governor in Council has not been obtained for activities performed under contract for others, all expenditures relating to such contracts have been made without authority.

2.28 Saskatchewan Sheep and Wool Marketing Commission

A study and evaluation of the management control systems of the Commission disclosed the following condition which, in my opinion, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to the Commission may occur and not be detected within a timely period.

Marketing Order 23/84, issued by the Saskatchewan Sheep and Wool Marketing Commission, pursuant to the provisions of The Saskatchewan Sheep and Wool Marketing Plan and The Natural Products Marketing Act, requires every livestock dealer, processor and sheep association to be liable for the accounting for, collection of, and remittance of sheep and lamb check-off fees to the Commission. The Commission, however, does not have a system to ensure compliance with Marketing Order 23/84, and therefore cannot ensure that check-off fees are collected by all livestock dealers, processors and sheep associations and that all check-off fees collected are subsequently remitted to the Commission.

This matter was reported in previous annual reports. The Standing Committee on Public Accounts considered this matter during a public hearing on May 15, 1985, when an official of the Commission appeared before the Committee as a witness.

The Committee recommended no further action at that time.

2.29 Saskatchewan Telecommunications

(1) A study and evaluation of the management control systems of the Saskatchewan Telecommunications Superannuation Fund disclosed the following condition which, in my opinion, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to the Fund may occur and not be detected within a timely period.

Officials responsible for the administration of the Fund had not established procedures to control disbursements from the Fund's bank account.

My representatives observed instances where manually signed cheques had been charged against the Fund's bank account that had not been appropriately drawn as the required signing officers had not signed the cheques. These unauthorized cheques were not detected by the officials.

In addition, for mechanically signed cheques, there was no evidence that the person who had custody of the signature plate had approved the use of the signature plate.

(2) In addition, during the audit of the accounts of the Saskatchewan Telecommunications Superannuation Fund it was observed that officials responsible for the administration of the Fund had arranged a line of credit with a bank. This line of credit was not authorized by the Minister of Finance. Accordingly, any overdraft obtained under this line of credit would not be authorized as required by The Department of Finance Act, 1983.

2.30 Saskatchewan Water Corporation

(1) A study and evaluation of the management control systems of the Corporation disclosed the following condition which, in my opinion, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to the Corporation may occur and not be detected within a timely period.

Subsection 5(1) of The Water Corporation Act provides that *"A Board of Directors of the corporation.....shall manage the affairs and business of the corporation"*. The Board of Directors, therefore, bears the statutory responsibility for the conduct of the Corporation's affairs. Accordingly, it is the Board's responsibility to establish all policies to be followed by the Corporation which would include consideration of all aspects of grant programs including eligibility criteria and administrative guidelines.

Under the authority of subsection 17(1), *"...the corporation may make grants on any terms or conditions that it may establish to any person, agency, organization, association, institution or other body within Saskatchewan..."*. During the six month period to December 31, 1984 the Corporation made grants for various programs. However, my representatives were not provided with any evidence to indicate that the Board had formally approved the program criteria concerning each program and the related administrative guidelines.

(2) During the audit of the accounts of the Corporation my representatives made the following observations:

a) Section 21 of The Water Corporation Act reads as follows:

"Out of moneys appropriated by the Legislature for the purpose, the Minister of Finance may make grants to the corporation:

a) to defray losses incurred by the corporation as a result of loans made by it that have not been repaid;

b) for the payment of interest on sums borrowed by the corporation;

c) for the payment of the administration costs of the corporation;

d) for the payment of grants;

e) subject to any terms and conditions that may be prescribed, for any other purposes that may be determined by the minister."

Section 21 would appear to provide an obligation on the government to inform the Legislative Assembly in a clear manner before the voting of funds as to the use to be made of the funds that are appropriated for payment to the Saskatchewan Water Corporation.

In the 1984-85 estimates this was not done as appropriations of the Departments of Agriculture, Environment and Urban Affairs did not identify the purpose of the funds appropriated for payment to the Corporation. I note that the 1985-86 estimates include separate sub-votes which identify the purposes for which payments to the Corporation are to be used. I would anticipate that the Corporation would adopt in 1985 suitable financial reporting techniques so that accountability for the appropriations is satisfactorily discharged.

b) Subsection 24(1) of The Water Corporation Act establishes the borrowing power of the Corporation:

"Subject to the approval of the Lieutenant Governor in Council, the corporation may raise by way of loans from time to time any sums of money that the corporation requires for its purposes...."

Additional requirements are provided under Part VII of The Department of Finance Act, 1983 as follows:

"41. Notwithstanding the provisions of any other Act, no department, board, commission or agent of the Government of Saskatchewan and no Crown corporation shall borrow any moneys without the approval of the minister."

As at December 31, 1984, the Corporation had bank indebtedness in the form of a bank overdraft in the amount of approximately $230,000 which was not authorized under either of the above sections. Accordingly, I report that this debt was entered into without proper authority.

2.31 Teachers' Superannuation Commission

A study and evaluation of the management control systems of the Teachers' Annuity Fund, Teachers' Superannuation Fund and Teachers' Supplementary Allowances Fund disclosed the

following condition which, in my opinion, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to these Funds may occur and not be detected within a timely period.

There is no regular management review of the investment detail record to ensure investment transactions are recorded in accordance with the established accounting policies. Further, there is no procedure for the periodic balancing and reconciling of the investment detail record (continuity schedules) to the general ledger control accounts. The conditions noted were the result of inadequate control procedures as opposed to non-compliance with established control procedures. The weaknesses observed allow the possibility of errors in the investment detail record not being detected on a timely basis causing the financial statements of the Fund to be prepared on a basis other than the stated accounting policies.

My representatives conducted additional audit procedures as a result of this deficiency and determined that the financial statements for the Teachers' Annuity Fund and the Teachers' Superannuation Fund presented to my representatives for audit contained material errors as a result of this deficiency. The financial statements were subsequently adjusted by officials of the Commission when the errors were brought to their attention.

2.32 Western Development Museum

A study and evaluation of the management control systems of the Museum disclosed the following conditions which, in my opinion, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to the Western Development Museum may occur and not be detected within a timely period.

(1) There was not an adequate system in place to ensure that all project related grants and the related expenditures were recorded in the accounts.

This inadequate system could result in significant project related revenues and expenditures not being recorded in the accounts.

This matter was also reported in my 1984 annual report.

The Standing Committee on Public Accounts heard testimony from officials of the Museum on this matter during a public hearing on May 1, 1985, and made the following motion:

"That the Comptroller's Office review with officials of the Western Development Museum a method for resolving the concern raised by the Provincial Auditor."

In addition, pursuant to section 12 of The Provincial Auditor Act, I also report that my auditor's report on the financial statements of the Museum contained a reservation of opinion due to the above mentioned inadequacies in internal control.

My auditor's report reads as follows:

"I have examined the balance sheet of The Western Development Museum Fund as at March 31, 1985, and the revenue fund statement of revenue and expenditure and fund equity and the special projects fund statement of transactions by project for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances, except for donations and grants from the Government of Canada where my examination was limited to the verification of amounts recorded in the accounts.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself as to the completeness of donations and grants from the Government of Canada, these financial statements present fairly the financial position of the Western Development Museum Fund as at March 31, 1985, and the results of its operations for the year then ended in accordance with the disclosed basis of accounting applied, after giving retroactive effect to the change in accounting for transaction activity in the special projects fund as explained in Note 6 to the financial statements, on a basis consistent with that the preceding year."

My report advises the reader of the financial statements that I was unable to form an opinion as to the completeness of donations and Government of Canada grant revenue and that the financial statements would require adjustments if the amounts recorded are not complete.

(2) There was a lack of procedures to control cash receipts in the Saskatoon cafe operations.

The cash register at the cafe at the Saskatoon Branch did not provide daily totals of the cash receipts. The absence of cash register totals could result in cash overages and shortages being made and not detected on a timely basis. In addition, the cash figures were used to record revenue for the cafe, thus if the recorded cash was in error the revenue recorded would be incorrect.

(3) There was an inadequate segregation of duties to control disbursements from the Museum's bank account.

One individual had the ability to authorize the purchase of goods, had the authority to receive the goods, record the transactions in the accounts and authorize payments for goods and services. This same individual also reconciled the bank account.

This lack of segregation of duties allows the possibility of unauthorized payments being made without ready detection.

2.33 Legislative Assembly Office

For several years I have had ongoing discussions with the Clerk of the Legislative Assembly concerning the travelling expenses of members of the Legislative Assembly.

Section 52 of The Legislative Assembly and Executive Council Act provides for the payment to a member for each kilometre travelled by private automobile in the province or other travel costs incurred to attend to the discharge of his duties as a member subject to a maximum limit in each constituency. In my opinion, the legislation requires that a member, making a claim for payment under this section, is to base it on costs incurred.

During the audit examination it was noted that members' claims for payments were not supported by details as to date of trips, kilometres travelled or other costs incurred and that many members were submitting their claims at the beginning of the year for the maximum travel expense limit.

In my opinion, the payment to members of the maximum annual expense claim at the beginning of the year, or without adequate supportive documentation, is contrary to the intention of the Act.

I am of the opinion, that if it is the Legislature's intent that members are to be paid in advance of incurring their travelling expenses, the legislation should be amended to provide for this practice.

3.

OTHER MATTERS

3.1 Special Warrants

The money necessary to operate the government is provided annually through Appropriation Acts. This money is provided after estimates are debated and voted by the Legislative Assembly.

The Legislature, by The Department of Finance Act, 1983, allows the government to spend money without an Appropriation Act by means of a special warrant. However, the Legislature has restricted this form of spending to expenditures not foreseen or provided for or insufficiently provided for, when the Legislative Assembly is not in session. The government is required to include special warrants as part of the next ensuing Appropriation Act.

As a further control over special warrants, the Provincial Auditor is required to report to the Legislative Assembly any special warrant which authorized the payment of public money.

I report that no expenditure was made under the authority of a special warrant in the 1985 fiscal year which was not included in the next ensuing Appropriation Act.

APPENDIX I

**The Provincial Auditor Act,
Chapter P-30.01, 1983**

SHORT TITLE AND INTERPRETATION

1. This Act may be cited as The Provincial Auditor Act.

2. In this Act:

(a) "acting provincial auditor" means the acting provincial auditor appointed pursuant to section 5;

(b) "audit" means an audit or examination of accounts of public money that may be made by the provincial auditor pursuant to this Act;

(c) "Crown" means Her Majesty the Queen in right of Saskatchewan;

(d) "Crown agency" means an association, board, commission, corporation, council, foundation, institution, organization or other body, whether incorporated or unincorporated, all the members of which or all of the board of management or board of directors of which:

(i) are appointed by an Act or by the Lieutenant Governor in Council; or

(ii) are, in the discharge of their duties, public officers or servants of the Crown;

and includes a corporation that has at least 90% of its issued and outstanding voting shares vested in the Crown;

(e) "Crown-controlled corporation" means a corporation that is not a Crown agency and that has less than 90% and more than 50% of its issued and outstanding voting shares vested in the Crown;

(f) "fiscal year" means the period commencing on April 1 in one year and ending on March 31 in the next year;

(g) "provincial auditor" means the Provincial Auditor for Saskatchewan appointed pursuant to section 3;

(h) "public money" means all revenues and public moneys from whatever source arising, whether the revenues and moneys:

(i) belong to the Government of Saskatchewan; or

(ii) are collected or held by officers of the departments of the Government of Saskatchewan or Crown agencies for, on account of or in trust for the Government of Canada or the government of any other province or for any other party or person;

and includes public property;

(i) "public property" means property held or administered by the Crown.

APPOINTMENT AND OFFICE

3.(1) After consultation with the Chairman of the Standing Committee of the Legislative Assembly on Public Accounts, the Lieutenant Governor in Council shall appoint a person as the Provincial Auditor for Saskatchewan.

(2) The provincial auditor is an officer of the Legislative Assembly and holds office during good behaviour.

(3) For the purposes of The Saskatchewan Telecommunications Act, the provincial auditor is the auditor of utilities.

(4) The provincial auditor may resign his office at any time by forwarding a written notice addressed to:

(a) the Speaker; or

(b) where there is no Speaker or the Speaker is absent from Saskatchewan, the President of the Executive Council.

(5) The Lieutenant Governor in Council may suspend or remove the provincial auditor from office only for cause and on the address of the Legislative Assembly.

4.(1) Subject to subsection (2), the provincial auditor is to be paid a salary equal to the average salary of all the deputy ministers and acting deputy ministers of the Government of Saskatchewan calculated as at April 1 in each year.

(2) Where, as a result of a calculation made pursuant to subsection (1), the provincial auditor's salary would be less than his previous salary, he is to be paid not less than his previous salary.

(3) The provincial auditor is entitled to receive any privileges of office and economic adjustments that are provided to deputy ministers.

(4) The provincial auditor's salary is a charge on the consolidated fund.

5.(1) The provincial auditor may appoint an employee of his office as acting provincial auditor.

(2) Where the position of provincial auditor is vacant and there is no acting provincial auditor, the Lieutenant Governor in Council may appoint a person as acting provincial auditor who is to hold office until an acting provincial auditor is appointed pursuant to subsection (1).

(3) Where the position of provincial auditor is vacant or the provincial auditor is absent or unable to perform his duties due to illness or other disability, the acting provincial auditor has all the powers and shall exercise all the duties of the provincial auditor.

6. No person is eligible to be appointed as provincial auditor or as acting provincial auditor unless he is a member in good standing of the Institute of Chartered Accountants of Saskatchewan.

7. For the purposes of exercising any of the powers or carrying out any of the duties imposed upon him by this Act, the provincial auditor may engage the services of or retain any technical, professional or other advisors, specialists or consultants that he considers necessary.

8.(1) The provincial auditor may employ any persons that he considers necessary to assist him in carrying out his duties and fulfilling his responsibilities under this Act.

(2) Employees of the office of the provincial auditor are employees of the Legislative Assembly and are not members of the public service of Saskatchewan.

(3) The disability income plan, the public employees dental plan and the group insurance plan applicable to the public servants of Saskatchewan and any plan introduced to replace or substitute for those plans apply or continue to apply, as the case may be, to the provincial auditor and the employees of the office of the provincial auditor.

(4) The Public Service Superannuation Act and The Superannuation (Supplementary Provisions) Act apply to the provincial auditor and the permanent and full-time employees of the office of the provincial auditor, and all credits in any superannuation plan or fund established pursuant to those Acts for the provincial auditor and the employees of the office of the provincial auditor and accumulated under those Acts, prior to the coming into force of this section, are preserved and continued in accordance with those Acts.

(5) The provincial auditor shall administer, manage and control the office of the provincial auditor and the general business of the office and shall oversee and direct the staff of the office.

9. The provincial auditor shall require every person employed in his office who is to examine the accounts of a department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation pursuant to this Act to comply with any security requirements applicable to, and to take any oath of secrecy required to be taken by, persons employed in that department, Crown agency or Crown-controlled corporation.

10. The provincial auditor may delegate to any member of his office the authority to exercise any power or to perform any duty conferred on him pursuant to this Act, other than the duty to make his annual report or a special report to the Legislative Assembly.

DUTIES AND POWERS

11.(1) The provincial auditor shall examine or cause to be examined, in any manner that he considers necessary to enable him to report as required in this Act, all accounts related to public money and accounts not related to public money that he is required by an Act to examine and shall determine whether in his opinion:

(a) the accounts have been faithfully and properly kept;

(b) all public money has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;

(c) public money expended has been applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and

(d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money.

(2) Notwithstanding any other Act, where the Lieutenant Governor in Council or Treasury Board appoints, pursuant to a statutory authority, another auditor to examine and report on the financial statements of a Crown agency, that auditor shall perform the audit according to an audit plan that:

(a) he has prepared; and

(b) includes any procedures that the provincial auditor considers necessary to allow the provincial auditor to fulfill his responsibilities under this Act.

(3) As soon as possible after another auditor described in subsection (2) has completed his audit or examination of a Crown agency, the provincial auditor shall provide that other auditor with an acknowledgement that the procedures performed are sufficient or are not sufficient for the provincial auditor to fulfill his responsibilities under this Act.

(4) The provincial auditor has the right to obtain from departments of the Government of Saskatchewan, Crown agencies and Crown-controlled corporations and their auditors any information or report that is, in his opinion, necessary to enable him to fulfill his responsibilities under this Act, and the departments, Crown agencies and Crown-controlled corporations and their auditors shall provide that information or report to him.

(5) Where the accounts, records and financial statements of a Crown agency or Crown-controlled corporation are audited by another auditor, the provincial auditor may rely on any report of that auditor for the purpose of fulfilling his responsibilities under this Act.

(6) Where, in the opinion of the provincial auditor, a report, document or explanation provided to him pursuant to this section is not sufficient to allow him to fulfill his responsibilities under this Act, he may conduct or cause to be conducted any additional examination or audit of the accounts, records or financial statements of a department of the Government of Saskatchewan, a Crown agency or Crown-controlled corporation that he considers necessary.

12.(1) At the end of each fiscal year, the provincial auditor shall report to the Legislative Assembly on the results of all examinations or departments of the Government of Saskatchewan and Crown agencies giving details of any reservations of opinion made in an audit report and shall call attention to every case in which in his opinion:

(a) any officer or employee of a department of the Government of Saskatchewan or Crown agency has wilfully or negligently omitted to collect or receive any public money belonging to the Crown;

(b) any public money was not duly accounted for and paid into the appropriate fund;

(c) any appropriation was exceeded or was applied to a purpose or in a manner not authorized by the Legislature;

(d) an expenditure was made for which there was no authority or which was not properly vouchered or certified;

(e) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person;

(f) a special warrant authorized the payment of public money; or

(g) essential records were not maintained or the rules and procedures applied were not sufficient:

(i) to safeguard and control public money;

(ii) to effectively check the assessment, collection and proper allocation of public money; or

(iii) to ensure that expenditures were made only as authorized;

and shall call attention to any other matter connected with a department of the Government of Saskatchewan, a Crown agency or a Crown-controlled corporation that he considers should be brought to the notice of the Legislative Assembly.

(2) In the annual return made pursuant to subsection (1), the provincial auditor may:

(a) report on the work of his office and on whether, in carrying on the work of his office, he received all the information, reports and explanations he required from departments of the Government of Saskatchewan, Crown agencies or Crown-controlled corporations or their auditors; and

(b) comment on the financial statements of any department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation of which he is the auditor.

(3) Notwithstanding subsection (1), the provincial auditor is not required to report to the Legislative Assembly on any matter that he considers immaterial or insignificant.

13. The provincial auditor may prepare a special report to the Legislative Assembly on any matter that is, in his opinion, important or urgent.

14. Notwithstanding The Tabling of Documents Act:

(a) the provincial auditor shall submit to the Speaker, as soon as is practicable, his annual report and any special report that is prepared by him pursuant to section 13; and

(b) the Speaker shall, as soon as practicable, lay before the Legislative Assembly each report received by him pursuant to clause (a).

15.(1) The provincial auditor shall certify, in accordance with the outcome of his examinations, all financial statements of:

(a) any funds that he is required to audit pursuant to subsection 11.(1);

(b) Crown agencies;

(c) Crown-controlled corporations; and

(d) accounts not related to public money that are, by an Act, required to be examined by him.

(2) Notwithstanding any other provision of this Act, the provincial auditor is not required to audit or report on the financial statements of a Crown agency or Crown-controlled corporation for which the Lieutenant Governor in Council or Treasury Board has appointed another auditor.

16.(1) Where:

(a) the Legislative Assembly or the Standing Committee of the Legislative Assembly on Public Accounts:

(i) requests the provincial auditor to perform a special assignment; and

(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor shall perform the special assignment.

(2) Notwithstanding The Tabling of Documents Act:

(a) the provincial auditor shall submit to the Speaker, as soon as is practicable, the report of any special assignment prepared pursuant to subsection (1) on the request of the Legislative Assembly; and

(b) the Speaker shall, as soon as is practicable, lay before the Legislative Assembly each report received by him pursuant to clause (a).

(3) The provincial auditor shall submit to the Clerk of the Assembly a special report prepared pursuant to subsection (1) on the request of the Standing Committee of the Legislative Assembly on Public Accounts, and the clerk shall make the special report available to the members of that committee.

(4) Where:

(a) the Lieutenant Governor in Council:

(i) requests the provincial auditor to perform a special assignment; and

(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor may perform the special assignment.

(5) The provincial auditor shall submit, as soon as is practicable, a special report prepared pursuant to subsection (4) to the Lieutenant Governor in Council.

17. Whenever, in the opinion of the provincial auditor or another auditor who is appointed to undertake an audit of Crown agencies or Crown-controlled corporations, any public money or revenues or money collected or held by employees of Crown-controlled corporations have been improperly retained by any person, the provincial auditor or the other auditor, as the case may be, shall immediately report the circumstances of that case to the member of the Executive Council who is responsible for the department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation and the Minister of Finance.

18. The provincial auditor shall:

(a) cause to be examined debentures and other securities of the Government of Saskatchewan that have been redeemed;

(b) assure himself that the securities described in clause (a) have been properly cancelled; and

(c) at any time and to any extent that the Minister of Finance may require, participate in the destruction of any redeemed or cancelled securities or unissued reserves of securities.

19. On the request of the Standing Committee of the Legislative Assembly on Public Accounts, the provincial auditor and any member of his office shall attend meetings of that committee to assist that committee:

(a) in planning the agenda for its review of the public accounts, the annual report of the provincial auditor, a special report prepared pursuant to section 13 or a report prepared pursuant to subsection 16.(1) on the request of the committee; and

(b) during its review of the items described in clause (a).

AUDIT COMMITTEE

20.(1) An audit committee, composed of not more than five persons appointed by the Lieutenant Governor in Council, is established.

(2) No Member of the Legislative Assembly is eligible to be a member of the audit committee.

(3) The Lieutenant Governor in Council shall designate one member of the audit committee as chairman.

(4) The audit committee may determine its rules of procedure.

21. On the request of the provincial auditor or the Minister of Finance, the chairman of the audit committee shall call a meeting of the audit committee to review any matter that, in the opinion of the provincial auditor or the Minister of Finance, as the case may be, should be considered by the committee.

22. The provincial auditor may give the audit committee any information that he considers appropriate to enable the audit committee to advise the Lieutenant Governor in Council on the result of any audit or examination made by him.

23. The provincial auditor shall present to the audit committee:

(a) his annual report; and

(b) any special report prepared pursuant to section 13;

before he submits the report to the Speaker.

GENERAL

24.(1) The provincial auditor is entitled:

(a) to free access, at all convenient times, to:

(i) all electronic data processing equipment and programs and documentation related to the electronic data processing equipment; and

(ii) all files, documents and other records relating to the accounts;

of every department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person that he is required to examine or audit or with respect to which he is examining pursuant to a special assignment; and

(b) to require and receive from employees of a department of the Government of Saskatchewan, Crown Agency, Crown-controlled corporation or other person subject to examination or audit by him any information, reports and explanations that he considers necessary for the proper performance of his duties.

(2) The provincial auditor may station in any department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or with any other person subject to examination or audit by him any employee of his office or advisor, specialist or consultant engaged pursuant to section 7 to enable him more effectively to carry out his duties, and the department, Crown agency, Crown-controlled corporation or other person subject to examination or audit shall provide the necessary office accommodation for the employee, advisor, specialist or consultant person so stationed.

25. The provincial auditor may examine any person on any matter relating to any account that is subject to an examination or audit by him, and, for the purposes of that examination, he may exercise all the powers of commissioners under The Public Inquiries Act.

26. The provincial auditor is not required to lay any audit working papers of his office before the Legislative Assembly or any committee of the Legislature.

27.(1) An accountant, who is:

(a) a member in good standing of the Institute of Chartered Accountants of Saskatchewan;

(b) not employed by a department of the Goverment of Saskatchewan, a Crown agency, a Crown-controlled corporation or the office of the provincial auditor; and

(c) appointed by the Lieutenant Governor in Council;

shall audit the accounts of the office of the provincial auditor.

(2) An auditor appointed under subsection (1) has the same powers and shall perform the same duties in relation to an audit of the office of the provincial auditor that the provincial auditor has or performs in relation to an audit performed pursuant to this Act.

(3) The auditor of the office of the provincial auditor shall submit his report to the Standing Committee of the Legislative Assembly on Public Accounts.

28. The provincial auditor may charge a reasonable fee for professional services provided by his office.

29. The provincial auditor, the employees in his office and any advisor, specialist or consultant engaged pursuant to section 7 are not liable in any action for any act done or not done or on any statement made by them in good faith in connection with any matter they are authorized or required to do under this Act.

30. The provincial auditor, any employee in his office or any advisor, specialist or consultant engaged pursuant to section 7:

(a) shall preserve secrecy with respect to all matters that come to his knowledge in the course of his employment or duties under this Act; and

(b) shall not communicate those matters to any person, other than when he is required to do so in connection with:

(i) the administration of this Act;

(ii) any proceedings under this Act; or

(iii) any proceedings in a court of law.

31. Subject to subsection 4.(4), any sums required for the purposes of this Act are to be paid from moneys appropriated by the Legislature for the purpose.

32.(1) The person appointed on the day before the coming into force of this section as provincial auditor pursuant to The Department of Finance Act, as that Act existed on the day before the coming into force of this Act, is deemed to be appointed as provincial auditor pursuant to this Act.

(2) On the day this section comes into force, the members of the public service who are employed in the office of the provincial auditor cease to be employed in the public service and each such person becomes an employee of the office of the provincial auditor at a salary of not less than that he was receiving on the day before the day this section comes into force.

33. This Act comes into force on the day The Department of Finance Act, 1983 comes into force.

APPENDIX II

LIST OF DEPARTMENTS, CROWN AGENCIES, CROWN CONTROLLED CORPORATIONS, OFFICES OF THE LEGISLATIVE ASSEMBLY AND OTHER ORGANIZATIONS SUBJECT TO AN AUDIT EXAMINATION UNDER THE PROVINCIAL AUDITOR ACT

Departments and Secretariats:

Advanced Education and Manpower
Agriculture
Consumer and Commercial Affairs
Co-operation and Co-operative Development
Culture and Recreation
Economic Development and Trade
Education
Employment Development
Energy and Mines
Environment
Executive Council
Finance
Health
Highways and Transportation
Indian and Native Affairs
Justice
Labour
Northern Affairs
Parks and Renewable Resources
Provincial Library
Provincial Secretary
Public Service Commission
Revenue and Financial Services
Rural Development
Science and Technology
Social Services
Supply and Services
Telephones
Tourism and Small Business
Urban Affairs
Women's Secretariat

Crown Agencies:

Crown agencies incorporated under a Business Corporation Act are identified by a **

Advanced Technology Training Centre of Saskatchewan
Agricultural Credit Corporation of Saskatchewan
Agricultural Development Corporation of Saskatchewan
Agricultural Implements Compensation Board
Agricultural Research Foundation
Battlefords Regional Care Centre
Cablecom Corporation**
Carlton Trail Community College
Consumers Oil Inc. (Subsidiary of S.P.C.)**
Consumers Oil Ltd. (Subsidiary of S.P.C.)**
Coteau Range Community College
CIC Industrial Interests Inc. (CIC III)** (Subsidiary of C.I.C.)
Crown Investments Corporation of Saskatchewan (C.I.C.)
Cypress Hills Community College
563361 Saskatchewan Ltd.**
Frank Eliason Centre
Hospital Laundry Services Ltd.**
LaRonge Region Community College
Many Islands Pipe Lines Ltd. (Subsidiary of S.P.C.)**
Many Islands Pipe Lines (Canada) Ltd. (Subsidiary of S.P.C.)**
Milk Control Board
Mistikwa Community College
Municipal Employees' Superannuation Commission
Municipal Financing Corporation of Saskatchewan
Municipal Potash Tax Sharing Administration Board
NAS Management Ltd. (Subsidiary of S.E.D.C.O.)**
Natonum Community College
North East Community College
North Sask. Electric Ltd. (Subsidiary of S.P.C.)**
Northern Forest Operations Ltd. (Subsidiary of S.F.P.C.)**
Palliser Regional Care Centre
Parkland Community College
Parkland Regional Care Centre
PCS Sales (Indiana) Inc. (Subsidiary of P.C.S. Sales)**
PCS Sales (Iowa) Inc. (Subsidiary of P.C.S. Sales)**
Potash Corporation of Saskatchewan (P.C.S.)
Potash Corporation of Saskatchewan Mining Limited (PCS Mining) (Subsidiary of P.C.S.)**

Potash Corporation of Saskatchewan Sales Limited (PCS Sales) (Subsidiary of P.C.S.)**
Potash Corporation of Saskatchewan Transport Limited (PCS Transport) (Subsidiary of P.C.S.)**
Prairie Agricultural Machinery Institute
Prairie Housing Development Corporation Ltd. (Subsidiary of Sask. Housing Corp.)**
Prairie Malt Limited (Subsidiary of CIC III)**
Prairie West Community College
Prince Albert Pulp Company Ltd. (Subsidiary of C.I.C.)**
Public and Private Rights Board
Public Utilities Review Commission
Regina General Hospital
Regina Plains Community College
St. Louis Alcoholism Rehabilitation Centre
Saskpen Properties Ltd.**
Saskatchewan Alcoholism and Drug Abuse Commission
Saskatchewan Arts Board
Saskatchewan Assessment Authority
Saskatchewan Beef Stabilization Board
Saskatchewan Cancer Foundation
Saskatchewan Centre of the Arts
Saskatchewan Legal Aid Commission
Saskatchewan Computer Utility Corporation
Saskatchewan Crop Insurance Corporation
Saskatchewan Development Fund Corporation
Saskatchewan Economic Development Corporation (S.E.D.C.O.)
Saskatchewan Forest Products Corporation (S.F.P.C.)
Saskatchewan Government Insurance
Saskatchewan Grain Car Corporation
Saskatchewan Health Research Board
Saskatchewan Horse Racing Commission
Saskatchewan Housing Corporation
Saskatchewan Indian Community College
Saskatchewan Liquor Board
Saskatchewan Liquor Licensing Commission
Saskatchewan Medical Care Insurance Commission
Saskatchewan Minerals
Saskatchewan Mining Development Corporation (S.M.D.C.)
Saskatchewan Oil and Gas Corporation
Sask Oil Resources Inc. (Subsidiary of Sask Oil)**
Saskatchewan Power Corporation (S.P.C.)
Saskatchewan Research Council, The
Saskatchewan Sheep & Wool Marketing Commission
Saskatchewan Telecommunications
Saskatchewan Transportation Company

Saskatchewan Vegetable Marketing Commission
Saskatchewan Water Corporation
Saskatoon Region Community College
Saskatoon Sanatorium
Sask Expo 86 Corporation
S.M.D. Mining Co. Ltd. (Subsidiary of S.M.D.C.)**
Souris Valley Regional Care Centre
South East Community College
South Saskatchewan Hospital Centre
South Saskatchewan River Irrigation District No. 1
Teachers' Superannuation Commission, The
The Local Government Board
The Saskatchewan Government Printing Company
University Hospital
Wascana Rehabilitation Centre
Water Appeal Board
Western Development Museum
Westside Community College
Workers' Compensation Board, The

Crown Controlled Corporations: (50% - 90% owned)

Canpotex Bulk Terminals Limited (Subsidiary of PCS Transport)
Westank Industries Ltd. (Westank) (Subsidiary of S.E.D.C.O)
Willock Industries Ltd. (Subsidiary of Westank)
Willock Industries International Inc. (Subsidiary of Willock Industries Ltd.)
Willock Truck Equipment Co. Ltd. (Subsidiary of Westank)

Other organizations subject to examination under The Provincial Auditor Act:

Legislative Assembly Office
Legislative Librarian
Ombudsman
Provincial Auditor
Saskatchewan Archives Board
University of Regina
University of Saskatchewan